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Weekend FT

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# FINANCIAL TIMES

Europe's Business Newspaper

## Lloyd's likely to scrap three-year accounting period

Lloyd's of London may remove the requirement for the insurance market's underwriting syndicates to report their results over a three-year period. The move should lead to quicker release of profits to both corporate capital and Names, the individuals whose practices support the market.

The practice of three-year accounting is rooted in the origins of Lloyd's, which derived its business from insuring trading ships on their voyages around the world, which usually took three years. Page 6

**Kinnock becomes European Commissioner**

Former UK Labour party leader Neil Kinnock (left), whose appointment as a British member of the European Commission was confirmed yesterday, is to seek to overturn the opt-out secured by prime minister John Major from the regulations that can be imposed on employers from Brussels. Mr Kinnock's wife, Glenys, was elected to the European parliament last month. Page 6

**Rise in Japanese jobless:** Figures showing an increase in Japanese unemployment and a sharp fall in the inflation rate provided further evidence of the weakness of the country's economy. Page 3

**Two shot dead at abortion clinic:** Two people, one a doctor, were shot dead outside a Florida abortion clinic. An anti-abortion protester was arrested. Page 4

**Moscow attacks Chechnya leader:** The Russian government accused Dzhokar Dudayev, leader of the rebel region of Chechnya, of destabilising the whole of north Caucasus and called on Chechen people to topple him. Page 7

**Terrorist targets identified last year:** A UK security report identifying buildings including London's Israeli embassy, which was bombed this week, as potential targets for car-bomb attacks was produced at the end of last year. Page 7

**40 hurt in Ulster mortar attack:** Forty people, including 38 civilians, were hurt when terrorists fired three mortar bombs at a police station in the centre of Newry, Co Down. Page 7

**Spanish general killed:** An army general, his driver and a civilian were killed when a car bomb, believed to be the work of Eta Basque separatists, exploded in central Madrid. Page 7

**Date set for Simpson trial:** A Los Angeles judge set September 20 as the trial date for footballer O.J. Simpson, who has pleaded not guilty to the murders of his ex-wife and her male friend. Page 10

**Higher retail income lifts BAA profits:** BAA, the former British Airports Authority, raised first-quarter pre-tax profits by 11 per cent to £11m, helped by rapidly increasing retail income. Page 10

**Credit Suisse falls 27%:** Swiss bank Credit Suisse, flagship of the CS holding financial services group, reported a 27 per cent fall in interim pre-tax profits to SFr1.75bn (\$1.3bn), caused partly by a slump in international stock and bond markets. Page 11

**Copper mine to be world's biggest:** The Escondida copper mine in Chile is to be expanded at a cost of \$620m to make it the world's biggest by mid-1996. Page 11

**Sapporo Beer ahead 41%:** Interim pre-tax profits at Japanese brewer Sapporo Beer rose 41.2 per cent from a year earlier to Y6.9bn (\$6.4m), due to a rise in demand. Page 11

**First UK lottery draw in November:** The UK's first National Lottery draw will take place live on BBC Television on November 19, less than six months after the Camelot consortium was chosen as the lottery's operator. Camelot yesterday unveiled its logo (above) - a smiling hand with crossed fingers. Page 4

**Big rise in purchase prices:** The prices paid by manufacturers for materials are rising sharply, according to the latest purchasing managers' index, increasing fears that inflation may be set to accelerate. Page 7

**Turners stolen:** Two paintings by English master William Turner were stolen from a Frankfurt gallery. The pictures, valued at £10m (£15.2m) each, were on loan from London's Tate Gallery. Page 7

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Bank's market dealings spark expectations of half-point increase

## Anxiety over rate rise grows

By Philip Coogan and Philip Gash

Financial markets yesterday signalled their expectation of an imminent rise in UK interest rates. This was based on Bank of England dealings in the money markets which persuaded many traders that a half percentage point increase was likely.

Although the markets found the Bank's dealings confusing, anxiety about a rise in rates prompted selling in the futures market. By the close last night, short sterling, the futures market's medium for speculating on interest rate changes, pointed to short-term rates of over 6 per cent by September compared with current base rates at 5.25 per cent.

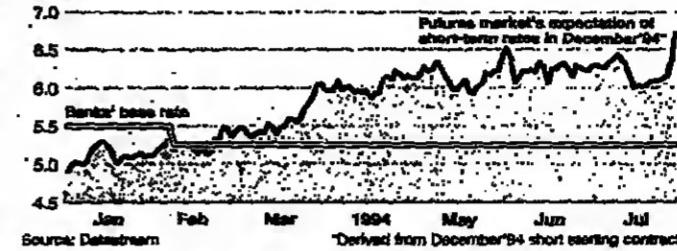
The prospect of higher rates bolstered the pound which finished in London at DM2.4413, more than 2 pence up on Thursday's close of DM2.4196. The Bank yesterday accepted

bids for Treasury bills - short-term debt issued by the government - at rates of up to 5.75 per cent, half a point above current base rates. That was interpreted by some traders as a sign that base rates would rise shortly, either on Monday morning or on Tuesday when the Bank publishes its quarterly inflation report.

In its daily operations, however, the Bank dealt at unchanged rates, before and after the Treasury bill auction. These money market activities are the Bank's traditional method of signalling its desired level of base rates.

While some economists now expect base rates to rise by half a point next week, others thought the Bank did not intend to increase rates and had merely miscalculated the market's reaction to the Treasury bill announcement. In the confusion, many talked of "mismanagement" by the Bank.

### UK interest rates, present and future

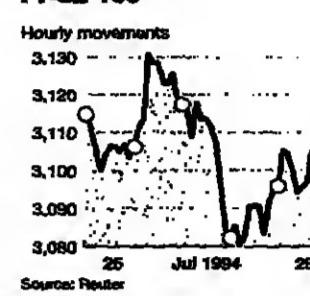


The result of yesterday's auction is that the Bank is paying more to borrow money than it is receiving for lending it, a position which cannot last for an extended period.

Markets were already jittery about a possible base rate rise, with evidence of inflationary pressure in the Confederation of British Industry's quarterly survey about rate changes is left to the Bank. Speculation about rate changes is accordingly at its peak in the days following the meeting.

Trade in short sterling reached

### FT-SE 100



more than 210,000 contracts, the highest volume this year. The September contract lost 23 basis points to close at 3,135.

The FT-SE 100 index fell by 28.2 points at one stage before closing 13.3 points down on the day at 3,082.6.

**Big increase in purchase index:** Page 7  
Currencies, Page 13  
Lex, Page 24

## Russia's teetering MMM slashes fund price

By John Lloyd in Moscow

Russia's MMM share fund teetered on the edge of oblivion yesterday as it slashed the redemption price of its shares

from the last quote of Rbs115m (\$27) to Rbs1.00, sending investors streaming into Moscow

commodities exchange in desperate attempts to sell their paper.

In the early evening an estimated 26,000 angry shareholders gathered round MMM's headquarters in a dowdy Moscow suburb. They blocked off the main lane Varshavskoye Chaussee and attacked the police and guards

of the building. Riot police were deployed, but the crowd held on in and around the building, but were not deployed.

Mr Sergei Mavrodi, MMM's elusive head, issued a written statement in the early afternoon saying the price cut was temporary and that "in two or three months the price will return

Rbs100,000 or more. We are still taking economic measures to force shareholders to wait and hold on to the shares for two months".

Mr Mavrodi, in the anti-authoritarian style he has adopted recent days, blamed the government for the plight of the fund and the 10m citizens it claims shareholders (other estimates put the number at 2m-3m).

The Russian government recently questioned MMM's solvency. Mr Mavrodi said: "We

have stopped on the eve of super breakthrough, after which Russia could have become the richest country in the world a

Russians - MMM shareholders wealthy people."

He said that allegations made by the finance ministry and the inspectorate that MMM was

classic "pyramid scheme", while the purchases of new shareholders had been false.

The crowds around the MM

headquarters were generally phlegmatic before the evening outburst. Most of their anger appeared to be directed more at the government than at MM

Continued on Page 24

The Possessed, Page 1

## Tribunal critical of high pay-outs to forces mothers

By Lisa Wood, Labour Staff

A number of large pay-outs to former servicewomen who were sacked after they became pregnant were "manifestly excessive" the Employment Appeal Tribunal ruled yesterday.

However, the appeals tribunal said most of the seven ex-service women whose cases were taken to appeal by the Ministry of Defence could keep the bulk of their compensation because of the way the Ministry of Defence presented its case. Two women will have to return to industrial tribunals for reassessments.

Mr Justice Morison, tribunal chairman, said: "The large awards, running into many tens of thousands of pounds, seem quite out of proportion to the wrong done."

The MoD, which welcomed yesterday's decision, has already paid out £16m in settlements

Continued on Page 24



Silvio Berlusconi (pictured) announced the creation of a special commission to distance his business interests from his role as Italian premier. The move came after Mr Berlusconi's younger brother, Paolo, surrendered to Milan magistrates to answer charges of paying bribes to the financial police. Page 24

## Lloyds up 21% at half-year but rivalry fears hit shares

By John Gapper, Banking Editor

Shares in Lloyds Bank fell sharply yesterday despite a 21 per cent rise in half-year pre-tax profits to £805m. The marking down of the stock reflects concern among investors that clearing banks are starting to compete for business by cutting loan margins and charges.

Lloyds' results reinforced fears that banks are building up more capital than is needed to meet slack demand for loans. Analysts said banks were likely to start reducing charges to attract business in an overcrowded market. Lloyds' shares fell by 18p to 544p. Other bank shares declined. Lloyds raised its interim dividend by 14 per cent to 7.5p, but the

decision was not as great as some analysts had predicted, given the bank's generation of capital.

Sir Robin Bubs, Lloyds' chairman, said the bank was confident it would succeed with its £1.8bn agreed bid for Cheltenham & Gloucester Building Society. C&G is expected to announce revised terms in mid-August for sharing the cash among its members.

Sir Robin emphasised that the C&G purchase would not be the last acquisition considered by Lloyds. "Just because we are moving towards a satisfactory conclusion with C&G does not mean we are pulling down the shutters," he said.

He said Lloyds would not impose charges on current accounts in credit, although the

decision was not a consequence of the capital build-up. "If one is virtuous to begin with, one does not need even more temptation to be virtuous," he said.

Weak loan demand and flat income from charges meant revenue grew only 5 per cent to £1.92bn, against £1.83bn in the first half of 1993.

Lloyds gained from the improvement in credit quality among UK companies in the first half of the year as the effects of

the cash build-up began to show.

Continued on Page 24

Future worries affect present, Page 10

Lex, Page 24

STOCK MARKET INDICES	
FT-SE 100:	3,082.5 (-13.8)
Yield:	4.05

## NEWS: INTERNATIONAL

Stalin's troops looked on with folded arms as 20,000 Poles fought to the death

## Heroism and wickedness in Warsaw

**F**ew episodes of the second World War revealed so clearly the depths of human wickedness and the heights of personal and collective heroism as the Warsaw rising, whose 50th anniversary will be commemorated this weekend in the Polish capital.

The rising, 63 days of increasingly desperate street fighting between 150,000 ill-armed volunteers of the Polish Home Army (the AK or Armia Krajowa) and a pitiless Nazi annihilation force, took place while Stalin, whose soldiers were encamped just across the River Vistula, looked on with folded arms, and the western allies were preoccupied with the battle for France.

**Walesa has invited Russian and German leaders to commemorate the anniversary of the tragic Warsaw uprising. Anthony Robinson reports**

"The decision to launch the rising represents for the Poles the most tragic mistake in their recent history," wrote historian Norman Davies, author of "God's Playground", the most authoritative contemporary history of Poland. Its failure scarred a generation of Poles and set the scene for 45 years of east-west mistrust and the Cold War.

Given this background, the decision of Polish President Lech Walesa to invite the Presidents of re-united Germany and post-communist Russia, as well as representatives of the wartime allied powers, to this weekend's ceremonies has been controversial, intended as a gesture of forgiveness for crimes which Poles will never permit to be forgotten, the Russo-German presence has been fiercely criticized by Mr Walesa's domestic political opponents and nationalist critics.

Mr Roman Herzog, the recently elected German president, accepted under the unfortunate misapprehension that the object of commemoration was an earlier slaughter of the innocents, the desperate Warsaw Ghetto uprising of April 1943 when the last remnants of the Jewish ghetto fought a doomed battle to prevent their transport to the death camps, while Russian President Boris Yeltsin passed the invitation on to lesser officials. Prime minister John Major is representing Britain but US President Bill Clinton, who toured central Europe before the Naples summit, is sending vice-president Al Gore.

The international line-up may be better and more controversial than



An exhausted Polish combatant in the middle of the failed uprising against the Nazis. Around 20,000 Polish combatants were killed and 225,000 civilians. Some 550,000 survivors were sent to Proskov concentration camp.

hoped. But nothing can take away from the significance of the event being commemorated.

Five decades ago Soviet forces under General Rokosowski had advanced to the suburbs of Warsaw. German troops under General Erich von dem Bach-Zelewski were evacuating stores and preparing to vacate the city. In his makeshift underground headquarters General Tadeusz Bor-Komorowski, commander of the Polish Home Army and the chief delegate from the Polish government in exile in London were debating how and when to strike what they hoped would be a decisive blow for liberation.

On the evening of July 23, Moscow Radio broadcast to Warsaw that "the

hour of action has arrived." This apparent invitation to take up arms against the retreating Nazi's was accompanied by the first sighting of Soviet T-34 tanks in Praga, a suburb just across the river Vistula from the historic town centre.

The rising began at five o'clock on the afternoon of August 1 and ended two months later with the surrender of the last pockets of Polish resistance. It was followed by the forced evacuation of the surviving population and the systematic destruction of 85 per cent of the city on Hitler's express orders.

The outcome of the unequal battle was never in doubt after the hoped for Soviet intervention failed to materialise and the first four days of fighting

failed to secure the airport, the railway station or the bridges over the Vistula. Hitler, shocked and angered by the failed bomb plot against him a few days earlier, ordered his commanders back to the city to suppress the rising ruthlessly.

Fighting street to street, and cellar to cellar even continued in the sewers which formed the main lines of communication for the beleaguered AK while German ground troops backed by heavy artillery, dive bombers and tanks remorselessly tightened the net. To this day the track of a German "panzer" mini-tank lies embedded in the rebuilt walls of St John's cathedral in the heart of the old city where mass will be said on Sunday in memory of those soldiers

and civilians, who took part.

The last hope flickered and died on September 18 when a daylight air-drop of food and arms by allied bombers left 90 per cent of the aid in German hands. The bombers were forced to fly to the limits of their range from bases in Italy because Stalin refused to allow them to use airfields in Soviet-occupied territory.

It was a telling omen of things to come, which the allies turned a half-blind eye to, preoccupied as they were by breaking out from the Normandy beachheads and unwilling to antagonise Uncle Joe, the man whose Red Army had torn the guts of Hitler's armies in the east.

But the Poles had embarked upon the rising harbouring no illusions. Their aim was to liberate the Polish capital from the Nazis and to mobilise the entire population spiritually for the struggle against Russia."

For the Poles already knew what was "liberated" by Soviet forces meant. Five years earlier, in September 1939, Poland had been violated by Hitler and Stalin together under the terms of the Molotov-Ribbentrop pact.

Poles, and the large pre-war Jewish population in particular, suffered terribly under Nazi rule. But for non-Jews, political and physical repression by the Soviet secret police, the NKVD, in the Soviet-occupied east of Poland was in many ways worse than that imposed by the Gestapo.

To the Nazis the Poles were simply "untermenschen" whose ideas and culture were of no interest. For Stalin's commissars, by contrast, Poland's nationalist traditions and "bourgeois" culture were a threat to be eliminated. Hence the cold-blooded murder of thousands of captured Polish officers in Katyn forest, near Smolensk. Hence the mass arrest of Polish intellectuals, priests and teachers and their execution or deportation to Siberia.

The AK's decision to fight for a "Polish solution" to Poland's future was "taken for the most honourable motives by men who had fought selflessly for their country's independence against all comers," writes Professor Davies. But, "the idea that Warsaw could have been held by the AK in the name of the government in exile without a subsequent showdown with the Soviets was belied by all previous experience," he adds.

So it proved. But the tradition of stubborn resistance to foreign occupation embodied by Warsaw's defenders lived on to re-emerge a generation later in the anti-Soviet Solidarity movement. The defeat of 50 years ago turned into the victory of 1989 when Poland became the first of Moscow's satellite states to throw off the Soviet shackles. So in doing Poles started the process which liberated not only central Europe but permitted the re-unification of Germany and the re-emergence of a Russia shorn of its Soviet imperial arrogance. That is the final testament to an immense sacrifice.

## Clinton faces a fierce attack over Whitewater

By Jurek Martin in Washington

Republicans in the US Senate yesterday launched a series of savage attacks on President Bill Clinton, his administration and even Mr Robert Fiske, the Whitewater special counsel, for failing to come clean on the affair.

Senator Al D'Amato of New York charged that the White House had "concealed, disguised and distorted the truth, all in the service of politics and the president's self-preservation."

He also accused Mr Roger Altman, the deputy treasury secretary, of deliberately misleading Congress last February in testimony about his contacts with White House officials over criminal investigations into Madison Guaranty, the failed Arkansas savings and loan company at the heart of Whitewater. The affair stems from the first family's land and financial dealings in their home state in the 1970s and 1980s.

The hearings of the Senate

banking committee contrasted sharply with those held earlier in the week by its House counterpart, where Congressman Henry Gonzalez, the Democratic chairman, controlled statements and questions tightly.

Technically on the agenda yesterday was testimony by police and medical officials on the circumstances of the suicide last summer of Mr Vincent Foster, then deputy White House legal counsel. But each member of the committee was permitted a lengthy opening statement before any witnesses were summoned.

Senator Lauch Faircloth of North Carolina, citing old professional contacts between the special counsel and Mr Clinton's legal representatives, accused Mr Fiske of "hiding information that would be embarrassing to the Clintons."

In an interim report, Mr Foster, a Republican, exonerated administration officials of any criminal wrongdoing in the Madison affair and found that the death of Mr Foster

## Civil rights group suffers fresh blow

By Jurek Martin

The reputation of one of the oldest and most illustrious US civil rights organisations was further damaged yesterday by details of an out-of-court settlement of sexual harassment charges brought against its director.

According to reports in both the New York Times and the Baltimore Sun, the Rev Benjamin Chavis last year committed the National Association for the Advancement of Coloured People to pay up to \$332,400 in damages without informing the NAACP's board and its legal counsel.

The plaintiff, Ms Mary Stanford, who briefly worked for the organisation last year, is now additionally suing Mr Chavis and the NAACP for breach of part of the out-of-court settlement under which she would be paid at least \$80,000 a year.

Democratic senators mostly beld the line in defending the administration and subsequent suit

and that nothing was communicated about either at the organisation's annual convention in Chicago earlier this month.

Lawyers for Mr Chavis said he denied the sexual harassment charges and he had reached the settlement under duress and in order to preserve his reputation. Good faith attempts were made to find Ms Stanford another job, but she either failed to turn up for interviews or overstated her qualifications, one said.

Mr Chavis was elected executive director of the 85-year-old NAACP in April last year. He took over an organisation with a membership of only about 500,000, less than half that of 30 years earlier, and with current debts estimated at about \$3m.

It was also deeply split between traditional moderate integrationists and outspoken black nationalists. This came to a head early in June when Mr Chavis invited Rev Louis Farrakhan, militant head of the Nation of Islam, to participate in a "black summit".

He did not appear contrite when advised that the policeman would in fact be appearing on Monday.

Democratic senators mostly beld the line in defending the administration and subsequent suit

## Serbs may face stiffer air power

By Bruce Clark

Tighter economic sanctions and tougher use of NATO air power against the Serbs will top the agenda at today's meeting in Geneva between the five nations which are trying to impose a settlement on Bosnia.

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## INTERNATIONAL NEWS DIGEST

### Britain backs Bonn UN role

Britain sees a German seat on the UN Security Council as both desirable and likely, Mr Douglas Hurd, the UK foreign secretary, said yesterday. It was the second time in a week that Mr Hurd has voiced his approval for a more active German role on the world stage. Asked on BBC radio whether Britain would back a proposal to give Germany a permanent Security Council seat, he replied: "Yes, indeed we would." He added that the UK viewed German admission as a probable outcome of forthcoming debates on the UN's future structure.

UK officials said London continued to link German and Japanese admission to the Council with a broader reform of the institution, in which Latin America, Africa and Asia might also demand seats. Mr Hurd told the German magazine Der Spiegel, in an interview published this week, that Britain welcomed the prospect of a more decisive role for Germany in international affairs. He said it was "childish twaddle" to imagine that Britain might be jealous of President Bill Clinton's enthusiasm for ties with Germany. *Bruce Clark, London*

### EU hits back over fraud claim

The European Commission yesterday hit back at allegations that up to 8 per cent of EU funds was going astray each year amid growing fraud in the Union budget. Responding to a highly critical report by Britain's House of Lords, the Commission said the fraud battle should mainly be fought by member states as they were directly responsible for spending three-quarters of the budget.

The Lords report said that while it was impossible to estimate the scale of fraud within the EU it was at least 2 billion a year, equivalent to 7.8 per cent of the EU budget. The Commission said it had proof that fraud accounted for 1 per cent of the EU budget. "Nobody knows how much the fraud is. If it's at that level it shows total dereliction of duty by member states," said a Commission spokesman. Brussels yesterday set out a scheme under which people who inform on EU fraud could get up to Ecu10,000 (£7,886) for tips-offs. About Ecu20,000 could be earmarked annually for the scheme. *Emma Tucker, Brussels and Stewart Derby, London*

### Warning on Rwanda refugees

The United Nations' top aid official said yesterday Rwanda could see yet another "world record" refugee exodus when French troops pull out of their south-western security zone next month. Mr Peter Hansen, under-secretary-general for humanitarian affairs, issued the warning on his return from the region, where the UN is already struggling to look after more than 2m refugees. About 1.6m Rwandan Hutus have taken refuge in the safe area set up by France, which says it will withdraw its 2,500 troops by the time its UN mandate expires on August 22. The first French troops left yesterday. "If we have a vacuum and that vacuum would lead to instability, we could see an exodus from that zone into Zaire, where there are already 500,000 to 600,000 refugees in Bukavu and Aïr," Mr Hansen said. In Washington, President Clinton asked Congress to approve \$20m of extra aid. He said the US was "urgently reviewing" whether to open a new airfield in the Rwandan capital, Kigali, to speed aid deliveries. *Reuter, Geneva and Washington*

### Bomb attack in Madrid

General Francisco Veguillas, who as director-general of defence policy played a key role in modernisation of Spain's armed forces, was killed yesterday, together with his driver, when a car bomb exploded alongside his car. The blast, in central Madrid, also killed a bystander and severely wounded at least eight others. The attack, which bore the hallmark of ETA, the Basque separatist organisation, came in the midst of a controversial initiative by the new interior and justice minister Mr Juan Alberto Belloch to allow partial freedom to an initial 30 out of more than 500 jailed ETA members serving long sentences. Gen Veguillas, 69, replaced Admiral Fausto Escrigas, who was also killed by ETA, as director general of defence policy, in 1985. Yesterday's attack brought the number of ETA victims this year to nine, five of them military officers. *Tom Burns, Madrid*

### Vote to freeze Ukraine sell-off

Ukraine's parliament voted yesterday to freeze the privatisation of state enterprises for six weeks. Deputies voted 180-62 for a resolution that said the system of privatisation was flawed and had to be stopped until the assembly decided which types of property are not to be transferred to private ownership. It ordered the government to draw up a list of enterprises in transport, energy and communication which should not be privatised "because of their national significance" and submit the list for parliament's approval in September. The resolution also ordered a review of the mechanism by which foreign investors participate in privatisation. Deputies were keen to prevent enterprises avoiding the competitive process and buying out their leases from the state for a low price. Reformers, including Mr Volodymyr Kuznetsov, head of President Kuchma's economic service, were opposed to the resolution, and said the process of privatisation could not be stopped. *Foreign Staff, London*

### Move for Dutch coalition

The tortuous search for a Dutch government coalition entered a new phase yesterday when Mr Wim Kok, finance minister in the outgoing government, said he would try to form a three-party government of his own Labour party, the right-wing Liberals and the left-of-centre D66. The negotiations, which will begin next week, represent the second attempt to put together a coalition of the three parties since the Christian Democrats suffered an historic defeat in the May general election. The first attempt was scuppered by disagreements over social welfare spending. But the differences between Labour and the Liberals in particular have narrowed after Mr Kok unveiled a proposed government programme on Monday stressing cuts in social spending and promising to boost jobs. All four main parties responded positively to Mr Kok's proposals, but he decided to exclude the Christian Democrats from the negotiations because they opposed maintaining levels of social benefits. *Ronald van de Krol, Amsterdam*

### Pergau funds repaid early

Almost half the controversial subsidised loan provided by the UK government for the Malaysian Pergau Dam project has been repaid early. Tenaga Nasional, the Malaysian electricity authority, yesterday repaid £140m of the £365m loan around 10 years ahead of schedule. As a result the UK government will recoup £2.3m of the £255m cash costs of subsidising the loan. This represents savings for the government of the "margin" it pays to the commercial banks which administer the loan, according to officials. But Tenaga is continuing to enjoy the full benefit of the UK government subsidy. The UK government has been criticised by MPs for giving too much of its aid budget to the Pergau project and for using the promise of aid to win a substantial defence contract. *Robert Peston, London*

### Spanish trawlers end blockade

More than 300 Spanish trawlers yesterday ended a four-day blockade of most north coast domestic ports, as well as of the border town of Hendaye in France. The blockade was to protest against alleged illegal tuna fishing practices by French vessels. The protest, which has severely affected maritime traffic, including tourist-laden ferries, ended after the Madrid government gave assurances it would insist on strict implementation of EU fishing guidelines and closely monitor the quality of fish imported from France. The "tuna war", over French trawlers' use of drift nets to catch tuna which is then exported to Spain, prompted clashes between the two fleets earlier this month. The Spanish trawler fleet, which uses rods to land tuna, claims the French vessels use sets longer than the 2.5km permitted by the EU. *Tom Burns, Madrid*

## US growth 3.7% in 2nd quarter

GDP now 10 per cent higher than at the trough of recession

By Michael Prowse in Washington

The US economy grew at an annualised rate of 3.7 per cent between April and June partly because companies accumulated inventories faster than in previous quarters, the Commerce Department said yesterday.

Data revisions showed growth at annualised rates of 6.3 per cent and 3.3 per cent in the fourth and first quarters respectively, against previous estimates of 7.0 per cent and 3.4 per cent.

Mr John Lipsky, chief economist at Salomon Brothers, the New York brokerage, predicted growth in excess of 3 per cent

played down the significance of higher inventories and predicted a rebound in consumer spending later this year.

The second quarter gain in output was the 13th consecutive quarter of economic growth following a mild recession in 1990-91. GDP is now nearly 10 per cent higher in real terms than at the trough of the recession.

Inventory growth was mostly a voluntary adjustment by companies to faster growth.

Inflation was under control, he said. The "fixed price" GDP deflator - a broad gauge of inflation - rose at an annual rate of 2.9 per cent in the second quarter, down from 3.1 per cent in the first three months.

The gain in inventories was mostly a voluntary adjustment by companies to faster growth.

Inflation was under control, he said. The "fixed price" GDP deflator - a broad gauge of inflation - rose at an annual rate of 2.9 per cent in the second quarter, down from 3.1 per cent in the first three months.

Many economists, however,

Source: FT Graphic

at an annual rate in the second half, reflecting a rebound in consumer spending and exports, and a further rise in

# Japan's jobless rate nears all-time high

By Gerard Baker in Tokyo

Further evidence of the weakness of the Japanese economy emerged yesterday with figures showing an increase in unemployment and a sharp fall in the inflation rate.

Seasonally adjusted unemployment rose by 0.1 per cent to 2.9 per cent in June, according to the government's Management and Co-ordination Agency. The jobless figure has been rising steadily since the recession began three years ago, and now stands just below its all-time high of 3.1 per cent recorded in May 1987.

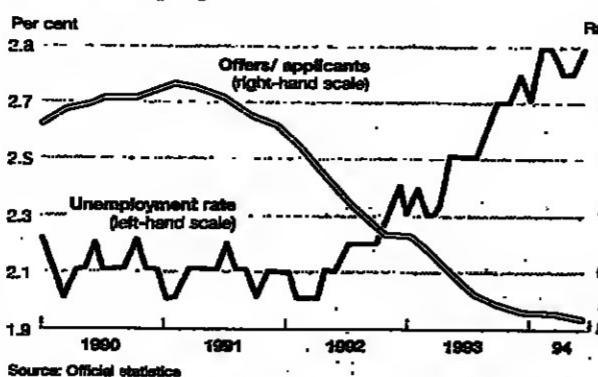
Separate figures released by the labour ministry revealed that the job offers-to-applicants ratio declined further last month to 0.63 per cent, the lowest level in more than seven years. The number of job offers fell in the year to June by 6.5 per cent while the number of applicants rose by 13.8 per cent. Employment fell sharply in all the main sectors of the economy, led by the wholesale, retail, and restaurant sector, with a drop of 170,000 workers from a year ago.

Though most Japanese companies have maintained their commitment to lifetime employment, and have avoided compulsory redundancies, they have cut recruitment and encouraged earlier retirement.

Mr Mansu Hamamoto, the labour minister, said the figures showed the labour market was "in a continuously precarious situation".

Most analysts agreed. Mr Geoffrey Barker, chief economist at Barings in Tokyo, said: "Despite the reticence of com-

## Japan: employment



panies to lay off en masse, the unemployment rate is likely to rise above 3 per cent in the next few months."

The inflation figure showed that consumer prices in Tokyo, the bellwether for the rest of the nation, fell in July by 0.3 per cent from a year ago, the first year-on-year drop since 1987.

A sharp decline in fresh food prices was the principal cause of the fall, according to government officials. Poor weather last summer led to a sharp rise in prices a year ago, magnifying the year-on-year decline in confidence.

But the core inflation rate, excluding food prices, also fell sharply to 0.6 per cent, the lowest level since September 1988.

There was better news with the publication of figures showing an increase in housing starts and a rise in consumer confidence. The construction ministry reported that housing starts were up by

10.6 per cent on a year ago to 147,909 homes, and the Economic Planning Agency reported that its consumer sentiment index rose 7.8 per cent in the three months to the end of June. The index measures expectations in five categories: employment, income growth, prices, livelihood and durable goods purchases.

But even here the good news was tempered by the fact that it was consumers' expectations of lower prices that contributed most to the increase in confidence.

Economists were agreed that, overall, the figures were consistent with very sluggish growth this year. Mr Hirohiko Okumura, chief economist at Nomura Research Institute, said: "Falling inflation and rising joblessness suggest that capacity continues to outstrip demand, pointing to a continuing weak performance by the Japanese economy for the foreseeable future."

## Rise in expenditure approved

By Gerard Baker in Tokyo

The Japanese cabinet yesterday approved a 3.8 per cent increase in public expenditure ceilings for the 1995-96 fiscal year, the first rise for three years. The ceilings represent an increase of 4.8 per cent over the initial spending plans outlined in the budget earlier this year.

General operating expenditures - the core budget, excluding debt service costs and grants to local government - are to total Y12.820bn (£234bn). Special factors, such as costs related to next year's upper

house elections and the national census, will account for much of the increase.

But the new coalition government of Social Democrat, Liberal Democrat and centrist Sakigake parties agreed to allow investment-related spending to rise by 5 per cent in an effort to stimulate the fragile economy. Current spending is to be cut by up to 10 per cent.

The principal feature of the budget allocations is a new Y300bn special investment fund to allow the government to target priority areas such as farming assistance and telecommunications systems. The tightest financial squeeze will be at the defence agency. Defence spending requests are to be held to an increase of just 0.9 per cent, the smallest rise since ceilings were first imposed in 1981.

Other figures released yesterday showed the government deficit in the fiscal year 1993-94 was Y566.3bn, the second consecutive annual deficit.

The figure is expected to increase sharply this year as substantial income tax cuts take effect, increasing pressure on the government to reach agreement on a consumption tax rise.

# Japanese take a hesitant look at Aids

Drug users and prostitutes are honoured conference guests, reports Gordon Cramb

Japan's bureaucrats are being reduced to blue-suited bemusement at one of the strangest and most feared processions of visitors from abroad since General McArthur's occupying troops hit town 49 years ago.

There will be 3,870 of them at latest count, with the US supplying the largest contingent. Known prostitutes will be waved through by immigration staff at Tokyo's Narita airport in the coming week, while intravenous drug users are assured they have nothing to fear from the normally scrupulous Narita customs as long as they bring in their prescribed methadone rather than heroin, its street equivalent.

Activists may, as has become almost traditional, again zap the stand at the conference centre run by Wellcome of the UK, maker of the AZT treatment for which clinical trials continue to report patchy and sometimes detrimental results.

But the campaigners will be present in smaller numbers this year. Some 13,000 participants of all persuasions gathered in Berlin, the large majority of whom came from outside Germany. This time the 4,729 Japanese delegates will predominate, according to figures released by the organising committee yesterday.

In 10 years, it is the first time the conference will have been held in Asia, where after a late start the proliferation of HIV among largely urban populations threatens to cast a shadow over economic growth.

"Now the Aids epidemic is

truly rampant in Asia, it is meaningful to hold the meeting here," Dr Takashi Kitamura, programme committee chair yesterday.

Up to 1m in India's great cities are estimated already to be infected, and the more developed economies represented by the six-nation Association of South-East Asian Nations (Asean) agreed last month they should seek to "prevent the disease from spreading across our work-force".

The US, Japan and Australia are to help fund an Aids programme for Asean. However, fewer than a tenth of the delegates to the Yokohama conference, which starts in the £250 Yokohama hotels that HIV cannot be caught merely by handling a passport or a vanity towel.

A long the way they are passing on the message, still only half believed, that Japan itself is no means immune to the real risks.

The health ministry said this week that 3,839 residents of the country had tested HIV positive, excluding those who had contracted the virus through blood transfusions in the first half of the 1980s.

The majority of those newly diagnosed were Japanese nationals who were apparently exposed through heterosexual intercourse.

In hosting the 10th annual conference on Aids, Japan has

accrued better credentials than the US, where the assembly has not been held since its earliest years because of restrictive immigration policies.

Medical researchers and pharmaceutical manufacturers arriving next week may be thankful that they are less likely than in the past to be accosted by those either decrying their treatments or demanding them for free. But if the event passes without undue incident, the Japanese bureaucrats will be the heroes of the piece.

For a small outlay on the part of their government they will have raised awareness of the real risks while dispelling many of the anxieties surrounding social contact with people with Aids - about 90 Yokohama high school volunteers will tend those in the "care lounge".

And the conference may even bring broader trade benefits to foreign companies. The health ministry said US activists could import 3,700 condoms to distribute in Yokohama. Japan has until now prohibited condom imports by deeming them a medical product - one of its remaining non-tariff barriers to trade.

# Vietnam wakes up with a thirst

Brewers are competing fiercely in a new market, says Iain Simpson



Fights broke out in the Taiwanese National Assembly on Thursday as opposition deputies staged a walkout over the passing of plans for the first direct presidential elections, set for 1996

# China gives hope of Gatt deal

By Guy de Jonquieres in London and Tony Walker in Beijing

He said yesterday that it expected "the final stage" of its negotiations to re-join the General Agreement on Tariffs and Trade at the end of the month, when it plans to file revised offers on market access for products and services.

Speaking at the end of two days of talks with Gatt members in Geneva, Long Yongtu, Beijing's chief negotiator, said his government was ready to negotiate on the offers in September and would work constructively for agreement on accession.

The sense that the eight-year-old links with Beijing were approaching a decisive phase was reinforced by the opening statement by Mr Pierre-Louis Irard, the Swiss economics ministerial official who chaired this week's working party. He said the working party had before it for the first time "major parameters" which could serve as the basis for negotiating a draft protocol on China's Gatt accession. He hoped to call the next meeting in late September or early October.

One western diplomat who participated in the meeting suggested China had begun to realise that WTO membership - which would mean subscribing to the provisions of the Uruguay Round world trade agreement - required far more complex negotiations than simply re-joining the Gatt.

Though Beijing has said it is ready to accept all the obligations of WTO membership, it presented this week's meeting with a 10-point list of "non-negotiable" demands.

Earlier this month, officials in Bei-

jing accused the US of blocking China's application and threatened to call off the negotiations if Washington does not drop its insistence that it joined as a developed country.

Observers are unsure whether China's public posture is part of a deliberate strategy, or whether - as some western diplomats in Beijing believe - it reflects political problems rooted in deep divisions in its bureaucracy.

Mr Zhu Rongji, senior vice premier in charge of the economy, has emerged as a leading "Gatt-sceptic" and is said to be insisting that negotiators yield little on China's demand to join as a developing country.

His stand may be connected with political manoeuvring in the Chinese leadership. He is under pressure from conservatives unhappy about his liberalising policies, and without his support compromise on sensitive Gatt issues will be difficult.

"The Chinese can't seem to get their act together," said a western diplomat in Beijing. "It is going to take very hard negotiations, and they are not used to hard multilateral negotiations."

Exports in the first half of 1994 rose by 9.3 per cent over the same period

# Chilean growth seen as rising to more than 4%

By David Pilling in Santiago

Chile's main business federation has revised upwards its estimate of economic growth in 1994 to between 4 and 4.5 per cent. At the start of the year many business leaders were forecasting growth in the range of 2 per cent to 3.5 per cent after the economy had cooled rapidly in the second half of 1993.

"The difficulties that we foresaw at the beginning of the year are disappearing and it is becoming increasingly clear that the economy will grow by roughly 4.4-4.5 per cent," said Mr José Antonio Guzmán, president of the CPC. "I am more optimistic than I was in January," he said.

Mr Guzmán attributed the improved prospects to the higher prices being fetched by Chile's principal exports - copper, cellulose and fish meal - which were depressed for most of last year.

Exports in the first half of 1994 rose by 9.3 per cent over the same period

last year to \$3.3bn (£3.4bn), with non-traditional exports up 18 per cent. Imports rose by only 5.3 per cent, although those of capital goods increased by 16 per cent, encouraging hopes of future productivity gains.

Mr Guzmán's statements follow the release of several other encouraging economic indicators, most recently a sharp rise in the monthly economic activity index for May, bringing the growth rate over the first five months of 1994 to 3.8 per cent. May's rise in the index of 6.8 per cent was the highest since last June.

The strong export performance, which has produced a balance of trade surplus of \$237m for the first six months (in spite of a deficit in June) has prompted the central bank to revise its trade estimates for the second time this year. The bank now expects a trade deficit of only \$150m-\$200m, compared with the near \$1bn deficit predicted at the start of the year.

The company that now makes Halida is one of the big success stories of Vietnam's transition to a market economy. For many years, the company produced fish paste for export to eastern Europe. But with the collapse of the communist bloc, that market dried up and general manager Nguyen Thi Anh Nhan started looking for a new outlet.

Abandoning fish paste, she managed to borrow \$3m to set up a simple beer production line. That was in 1990. Now, the company is in the midst of a massive expansion project.

Mrs Nhan says the outlook for the market is rosy. "It's now summer and if you go to a bar after about two o'clock in the afternoon, they stop serving because they have run out of beer."

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## HIGHLIGHTS OF THE THREE MONTHS ENDED 30 JUNE 1994 (UNAUDITED)

Group revenue £305m up 4.8%  
Pre-tax profit £111m up 11.0%  
Earnings per share 8.0p up 11.1%  
Passengers 22.1m up 6.0%

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HELPING BRITAIN TAKE OFF

## NEWS: UK

■ Lottery logo unveiled ■ BBC prepares for £2m November draw

## Camelot names date for draw

By Raymond Snoddy

The UK's first multi-million-pound National Lottery draw will take place live on BBC television on November 19, less than six months after the Camelot consortium was chosen as the preferred operator.

The announcement of the launch date came yesterday as Camelot was formally awarded its licence by Mr Peter Davis, director-general of the National Lottery and the lottery operator unveiled its logo - a smiling hand with crossed fingers.

The logo, created by Saatchi & Saatchi Design and chosen from more than 100 designs, was claimed yesterday to represent everything from fun, friendliness, enjoyment and approachability to hope, anticipation, trust and honesty.

On November 19, at the end of an eight entertainment show, six million balls will be electronically selected from a total of 49.

Anyone who has chosen the numbers in any order could win £2m although the odds are almost 14m to 1 against. Although the size of the prizes will normally be influenced by the number of £1 lottery tickets sold in any week it is likely there will be a minimum jackpot of £2m for the first draw. The licence, which will run until the end of September



Fingers crossed: Tim Holley, chief executive of Camelot, reveals the National Lottery logo outside the British Museum, London

2001, closely follows the draft licence published last year except that the commitments made by Camelot to the licence have been incorporated. These range from the percentage of ticket sales that will go in prizes, to the percentages of revenues that will go to the five good causes to benefit from the National Lottery: the arts,

charities, a millennium fund, the national heritage and sport.

The percentage of prize money before deduction of 12 per cent lottery duty ranges from a low of 47.2 per cent of ticket sales in the 1995 financial year ending March 31 to a high of 50.65 per cent the following year.

At ticket sales of between

£750m to £1.5bn a year the percentage going to good causes will range from 21.66 per cent to 28.8 per cent.

If the lottery has revenues of more than £3.5bn a year - which is thought to be possible - the good causes will get between 31.35 per cent and 34.05 per cent.

Camelot, which groups Cadbury Schweppes, De La Rue,

GTECH, ICL and Racal Electronics, said yesterday the project was on track for the November launch with 20 pan-tecnicos of furniture arriving next week at its headquarters in Rickmansworth, Herts.

Manufacture of the on-line computer terminals has begun and more than 8,000 of the 10,000 retail outlets needed for the launch have signed up.

## DTI uncovers insolvency rule breaches

By Andrew Jack

Nearly 9 per cent of insolvency practitioners inspected by the Department of Trade and Industry in the past year seriously breached their obligations under the law, a report said yesterday.

Of 160 monitoring visits made in the 12 months to April, reports were produced on 14 which identified "significant compliance problems".

The problems, all of which have been referred to the relevant professional bodies for regulatory action, included sub-contracting of work without adequate controls and payments for the introduction of insolvency work.

In addition, a further six practitioners were subject to "detailed special inspections". Eight practitioners were under inquiry at the end of the year; another has been charged with criminal offences and is awaiting trial.

The details emerged in the annual report of the Insolvency Service, an executive agency of the DTI under the government's Next Steps programme.

Other failures identified by the department included poor financial records and failure to

keep adequate administrative records, including the approval of remuneration.

The compliance failures come in spite of initiatives over the past few months by the insolvency profession to develop a self-regulatory regime as a result of pressure from the Insolvency Service.

There were 1,961 licensed insolvency practitioners in the UK last year, down from 1,993 in 1992. They come under the control of seven professional bodies as well as some directly supervised by the DTI.

Mr Peter Joyce, inspector-general and chief executive of the Insolvency Service, said in the report that it planned a further "significant increase" in the volume of prosecutions and disqualifications this year.

The comments follow a highly critical report last year by the National Audit Office, the Whitehall watchdog, into the relatively low volume of disqualifications.

Mr Joyce says the service "continued to struggle to achieve its targets" in the face of a backlog of 57,000 uncompleted case files of collapsed companies and bankrupt individuals being examined in the middle of last year.

## Swans bid 'worth less than £5m'

The receiver to Swan Hunter, the Tyneside shipbuilder facing closure, said yesterday that the price offered by the sole prospective bidder for the company as a going concern was significantly below £5m, and substantially below the business's break-up value, Chris Tighe writes.

The comments from joint receiver Mr Ed James of Price Waterhouse underlined how poor the prospects now are of saving north-east England's last shipbuilder. Mr James said this week's bid from Construction Mécanique de Normandie was less than half the £10m figure discussed earlier this year. Swans' break-up value is understood to be about £7.5m.

CMN insisted its offer, including £5m relating to a tax loss deal, was worth £1m. It wants to negotiate not with Price Waterhouse but with Lloyds Bank, Swans' principal creditor.

### Speculation on Archer post

Speculation mounted among Conservatives yesterday that Lord Archer, the party's former deputy chairman, would be offered a government post after being cleared of insider dealing allegations.

However friends of Lord Archer said the prime minister had not yet made any formal approach to the peer, who is one of the party's leading activists and fundraisers.

### Bank closure ruling to stand

One of the owners of Mount Banking, the Asian-controlled bank closed by the Bank of England in 1992, yesterday lost his High Court appeal against the decision.

Mr Navinchandra Bhagwanji Shah claimed the decision by the Banking Appeal Tribunal last year to uphold the Bank of England's decision was unjust and that the bank's original judgment was perverse.

### Theme park convictions upheld

Three businessmen jailed for fraud after the longest criminal trial in English legal history failed yesterday in appeals against their convictions.

The Court of Appeal rejected argument that the 253-day Britannia Park trial was so long and complex that the jury must have been unable to concentrate sufficiently to reach a safe and satisfactory verdict.

Mr Peter Kellard, Mr Edward Dwyer and Mr John Wright, former chairman of the Derbyshire theme park, were convicted in 1992 of offences including fraudulent trading.

### Nirex files waste site plans

Nirex, the nuclear waste disposal company, yesterday filed its long-awaited planning application with Cumbria county council for £120m rock laboratory beneath the Sellafield site, a step towards its proposed £2bn underground waste repository.

The laboratory is needed for a geological study of the site to enable Nirex to decide whether the repository should be built.

### Three jailed for fraudulent trading

Three businessmen were yesterday jailed for fraudulent trading at Extra Special Vehicles, based at Banbury, Oxfordshire, which collapsed in 1990 with £6m debts.

Mr Robert Colman, Esv chairman, and Mr Moshe Hochberg, finance director, were both jailed for three years. Mr Robert Knight, a financial adviser, was jailed for 4½ years.

They had been convicted following a 12-week trial at Northampton Crown Court.

### Case on Bar lost

Four students denied places to train as barristers yesterday lost their legal battle in the Court of Appeal over the new selection criteria adopted by the Bar law school, which is run by the Council for Legal Education. They had argued the school paid too little attention to degree results.

### Hospital plea fails

Campaigners yesterday failed to prevent the closure of the accident and emergency unit at London's St Bartholomew's hospital. The Court of Appeal refused leave to appeal against the High Court's rejection of judicial review proceedings.

## Eurotunnel set for passenger licence

By John Willman, Public Policy Editor

The go-ahead for passenger train services to run through the Channel tunnel is expected very shortly. Eurotunnel said yesterday.

The company said that it understood that the Anglo-French Intergovernmental Commission, which must approve passenger services, had met on Thursday to make its decision.

Eurotunnel said it had completed its presentations to the commission's safety authority,

## BCCI official convicted of profits fraud

By John Mason, Law Courts Correspondent

A former senior official with the collapsed Bank of Credit and Commerce International was convicted yesterday at the Old Bailey of helping dishonestly to boost the bank's profits by £250m.

Mr Imran Imam, a former accounts officer based at BCCI's London headquarters, was convicted of one charge of conspiring to conceal documents, two of conspiring to falsify records or documents and one of furnishing false information. He was acquitted of one charge of furnishing false

information. He was released on bail and will be sentenced next Wednesday.

The conviction of Mr Imam marks the fourth successful prosecution brought by the Serious Fraud Office following its investigation into BCCI.

However the prosecution proved controversial, provoking the anger of US prosecutors in the New York Office. They have relied upon Mr Imam as a main witness in the US trials and felt his conviction could taint his reputation as a possible witness.

Mr John Moscow, the assistant district attorney, told a

pre-trial hearing in London that because the US authorities believed the SFO would use Mr Imam as a witness - not put him on trial - they had given the SFO documents relating to Mr Imam. The SFO denies giving an assurance that Mr Imam would not be prosecuted.

Mr Imam worked closely with Mr Swaleh Naqvi, the former BCCI chief executive, and Mr Agha Hasan Abedi, its former president.

He helped to boost the bank's profits by falsifying documents relating to loans totalling \$2m apparently made by BCCI to wealthy customers. BCCI never intended these

loans to be repaid but was able to claim it was receiving income in the form of interest and fees from the transactions.

Mr Imam himself received interest-free loans from the bank which totalled \$1m.

Earlier this month the SFO secured the arrest of Mr Abbas Gokal, the head of the Gulf Group, the international shipping and trade conglomerate which was by far BCCI's largest customer. Mr Gokal was arrested at Frankfurt airport by German police after the SFO reported that he had left Pakistan where he had remained safe from extradition since 1991. Proceedings to

extradite him to the UK have begun.

The SFO is also considering bringing charges against Mr Naqvi. This will depend on events in the US where he is negotiating a plea-bargain deal with federal prosecutors. He was also sentenced to 14 years imprisonment by the Abu Dhabi authorities.

Previous SFO prosecutions over BCCI have led to the convictions of Mr Syed Ali Akbar, a former head of the bank's treasury department, Mr Mohammed Baig, a former head of Attack Oil, and Mr Nazmu Virani, the former property entrepreneur.

## Restructuring leaves video project chief without a job

By Raymond Snoddy

British Telecommunications has broken up the division which helped to develop and promote video-on-demand, leaving its director Mr Steve Maine without a formal post.

Mr Maine, who has been at BT for 20 years, ran the Visual and Broadcast Services division from 1991. The division was responsible for such activities as video conferencing, satellite data broadcasting and the provision of communication networks for broadcasters.

The development of video-on-demand, which also included a wide range of home services using the telephone network, was potentially the division's biggest project.

Technical trials of video-on-demand, seeding VHS-quality pictures down telephone lines

at the same time as the line is being used for conversation, are nearing completion.

Marketing trials involving between 2,000 and 2,500 homes are due to start later this year or early next year.

If BT decides to go ahead with what it calls interactive multimedia services the investment would probably involve several billion pounds. Sophisticated computer databases would have to be installed at telephone exchanges.

Earlier this year Mr Maine told delegates at a Financial Times conference: "If you are in the home-entertainment business, think beyond the existing boundaries of your industry - talk to us at BT."

The video-on-demand project has now gone to ICE - the BT division responsible for the restructuring did not mean any lessening of its commitment for interactive multimedia.

## Gummer issues writ against BT over rent

By William Lewis

Mr John Gummer, the environment secretary, yesterday issued a writ against British Telecommunications claiming more than £2.2m in rent and interest.

The company set next October as the deadline for an "imminent prospect" of European Union legislation to deal with the mounting controversy over conditions for live exports.

Mr Gummer also claims that BT, through two other undertakings, owes another £123,000 for 50 parking spaces and rooms it rents in the tower's basement.

The writ comes as BT, which has one of the largest corporate property portfolios in the UK, presses on with plans to cut its holdings from 75m sq ft to 15m sq ft by 2010.

A BT spokesman said he knew of "no connection between the writ and our property disposals".

He added that the writ had not yet been served on the company.

The Euston Tower is owned by British Land.

## P&O threat on animal welfare

By David Lascelles, Resources Editor

P&O, one of the largest cross-Channel ferry companies, yesterday threatened to stop transporting vehicles carrying animals for slaughter unless European farm ministers agreed on improved standards.

The company set next October as the deadline for an "imminent prospect" of European Union legislation to deal with the mounting controversy over conditions for live exports.

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The Euston Tower is owned by British Land.

ported animals for slaughter.

Lord Sterling said that his decision to put pressure on government was not out of concern for the damage that a boycott might do to his company. "It's deeper than that," he said. "There are certain subjects that go beyond commercial considerations."

Mr William Waldegrave, the agriculture minister, said the government was determined to make progress on the issue without causing unfair disadvantage to British farmers. But those urging precipitate action would do nothing to protect travelling animals in the long term, and would impose an immediate damaging effect on a trade already going through a difficult period.

He stressed that this was an EU-wide matter, and that the current German presidency had indicated that it would give it a high priority.

EU rules currently permit animals to be transported for 24 hours without a break. Last June, the Greek presidency proposed to reduce this to 22 hours for food and 15 hours for water, but the UK government rejected the plan. Animal rights groups have been pressing for a maximum of eight hours.

Campaigners yesterday failed to prevent the closure of the accident and emergency unit at London's St Bartholomew's hospital. The Court of Appeal refused leave to appeal against the High Court's rejection of judicial review proceedings.

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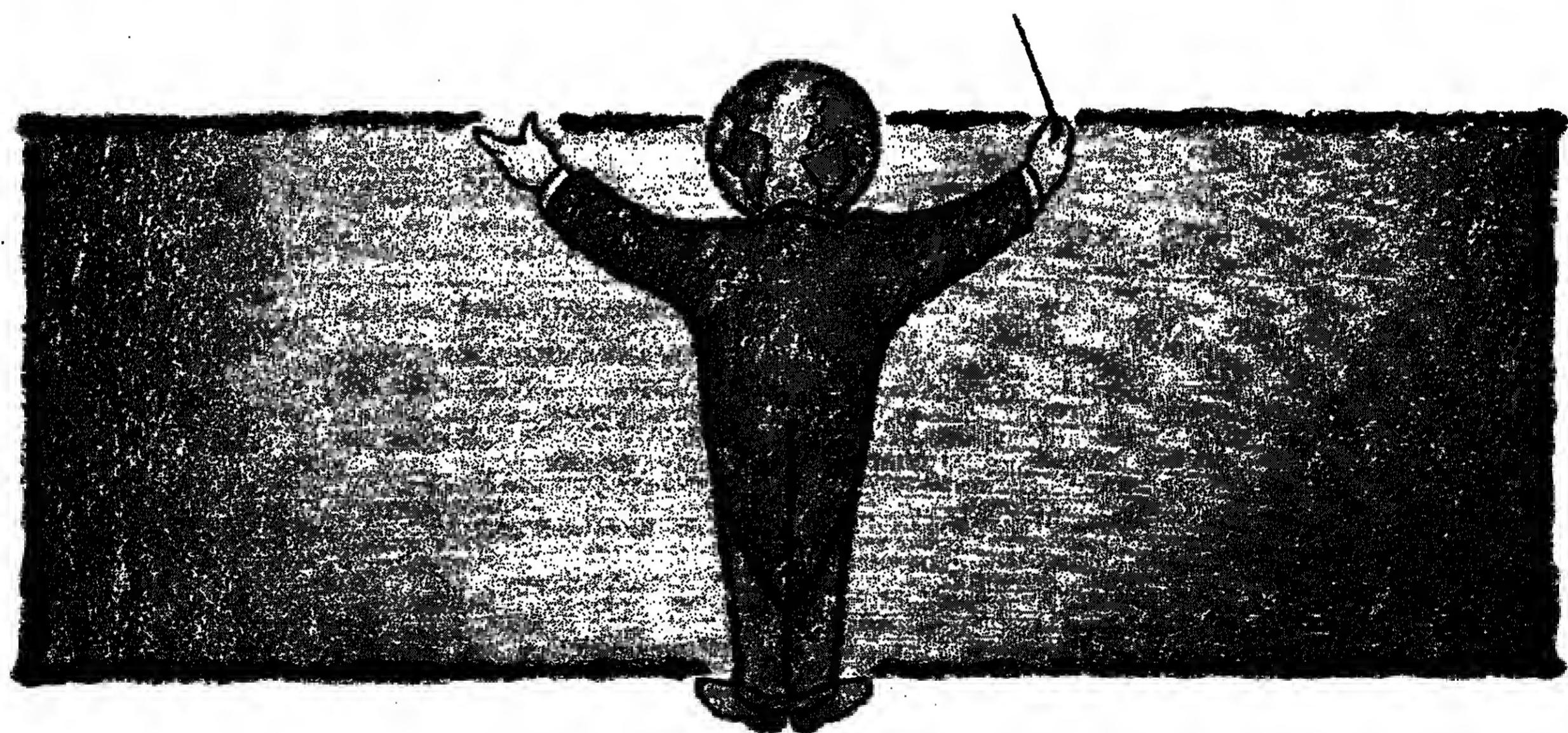
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## NEWS: UK

# Court move on 'pirate' TV card ban

By Raymond Snoddy

A leading distributor of "pirate" satellite television cards is going to the High Court next week to try to win the right to sell the cards in the UK.

Mr David Lyons will ask permission to withdraw a voluntary undertaking not to distribute the cards in the UK which he made pending the full hearing of an action launched against him by British Sky Broadcasting (BSkyB) said yesterday it would vigorously resist any attempt to withdraw the undertaking.

The High Court hearing follows an action in the Irish courts in January when BSkyB - a consortium in which Pearson, owner of the Financial Times, has a stake - was refused a restraining order against Mr Lyons pending a full trial.

BSkyB claimed its code had been copied by Mr Lyons, infringing its rights under copyright law. The court rejected the claim because BSkyB had failed to produce sufficient evidence that there had been an infringement of copyright. Mr Lyons is seeking to raise the same issues in the High Court.

He said yesterday: "If I win I will be able to sell cards outside News Datacom [the News Corporation subsidiary that manufactures the smart cards for Sky Television]." BSkyB

knocked out all the pirates in May when it distributed new, more sophisticated cards, known as the series nine cards, to more than 3m subscribers. Overnight, viewers with pirate cards were unable to watch subscription channels. Since then, the pirates have been working to beat the new BSkyB smart cards.

Mr Lyons said yesterday he now had a card that would decode all BSkyB channels and planned to start selling them in Ireland next week.

Last year the Financial Times wrote to Mr Lyons' company Satellite Decoding Systems and bought a pirate decoder card which worked perfectly.

A number of other systems, pirates claim, are about to come on the market. One, called Phoenix, can reactivate cancelled cards. Others, it is claimed, can upgrade legitimate basic BSkyB cards so that they can receive every channel. The basic package costs £6.99 a month - the entire package, £19.99.

BSkyB executives privately express scepticism that the new card has been cracked by pirates.

BSkyB and News Datacom insist that they will continue to take a wide range of legal and technical measures against the pirates. Distribution or using pirate subscription television cards is illegal in the UK.

# Society man signs up for the club

The IoD's new director-general is determined to make his mark, says Michael Cassell



Tim Melville-Ross: impatient with the IoD's image as a bolt-hole for unreconstructed rightwingers

Photograph: Tony Andrews

As the busy boss of a 235m business, Mr Tim Melville-Ross could be forgiven for not getting around to joining the Institute of Directors.

But he has been wise enough to sign up in good time for his arrival on Monday as the institute's new director-general.

The one-time stockbroker and oil industry man who, for the past 10 years, has been chief executive of the Nationwide Building Society, admits to finally enlisting only after the £180,000-a-year IoD job came up - but before he knew it.

He added: "The rightwing label is much abused. It is no longer a rightwing proposition to say wealth creation is a good thing, provided you create it within a defined set of civilised values."

Eyebrows have been raised about his readiness to step down from the top of Britain's second-largest building society to run what some in the business community regard as little more than a fancy club with grand ideas.

Mr Melville-Ross explained: "I said when I became Nationwide chief executive I would do it for 10 years. It was enough for me and enough for the Nationwide."

"I did not then want to go on and run another business in a narrow sense and was looking for something which involved participating in the political process."

Mr Melville-Ross is keen to engage in public-policy debate and then to act as a forceful advocate for IoD views. At 49, he takes over at the Pall Mall headquarters from Mr Peter Morgan, a fiery, free-market salesman who relished the opportunity to make waves.

His successor is a more considered, consensual, low-key sort of chap who, nevertheless,

is determined to leave his mark on an organisation which he accepts may be widely misunderstood and under-rated.

The new director-general, although anxious not to criticise his predecessor, appears impatience with the lingering image of the IoD as a bolt-hole for unreconstructed right-wingers. He intends it to be seen as a serious champion of free enterprise and business integrity with views that count.

He added: "The rightwing label is much abused. It is no longer a rightwing proposition to say wealth creation is a good thing, provided you create it within a defined set of civilised values."

It is not rightwing to say the idea of full employment is nonsense. In the same way you have to have empty homes to make the housing market work, you need a stock of unemployed people to make the labour market work."

Pursuing his thesis, Mr Melville-Ross said his wish to see the education system further "privatised" was not a rightwing stance.

"I think it is wrong for someone in my financial position to have my children's university education subsidised by people far less able to afford it than me. If that view is rightwing then I'm a Dutchman."

Mr Melville-Ross stressed that he has never been a "raving Conservative or socialist or whatever", but he has long experience of nudging ministers on the right.

Cuddling up to a particular administration, he stressed, can have its drawbacks, so contacts will be made across the political spectrum. If a Labour government is elected, he will

start on good terms with several of its senior figures.

Mr Melville-Ross acknowledged unflattering comparisons with the Confederation of British Industry - the employers' body with which he intends to forge closer links - but denied that the IoD is less in touch with business or less influential with government. He added: "We should not, in any case, view each other in a competitive way. If it is possible to develop similar positions on key policy areas, then that will be a very powerful combination."

The IoD, he emphasised, is not about to embark on a root-and-branch overhaul of policy, although he has given himself and his colleagues three months to review it. Then, he said, the organisation will have to present its views in "a more coherent way".

He hinted that he might want a more streamlined policy-making process and, without uttering any threats, said he intends to run a "very crisp" organisation.

Mr Melville-Ross accepts that he comes to the job at a time when the reputation of the business community has taken some tough knocks. He largely rejects the image of directors as "grasping and overpaid", although he has no time for rewarding failure.

"I have no problems at all with giving very high rewards for success that helps create wealth and which, in turn, sustains businesses and jobs," he said. "But we have to find ways of avoiding situations where someone who has manifestly failed walks away with half a million pounds. It has to be wrong and it has to be stopped."

# Agency chief's dual role rapped

MPs yesterday admonished ministers for the way they handled a potential conflict of interest over the government agency which regulates food imports. James Blitz writes.

The Commons agriculture committee expressed concern in a report that a conflict of interest could have arisen over the role of Mr John Ellis, the chief executive of the Intervention Board Executive Agency.

Mr Ellis has chaired the intervention board for the past eight years. The board, which is operated by the Ministry of Agriculture, Fisheries and Food, administers the Common Agricultural Policy in the UK and issues licences for food export and import.

The potential conflict of interest over his role arose last year when the board was required to license banana imports following a European Union directive. The committee said that this appeared to place Mr Ellis in an "awkward position", as the Fyffes group is one of the largest importers of bananas.

The committee said yesterday that it did not allege "any impropriety whatsoever" against Mr Ellis. It also noted that his job "does not involve him in day-to-day operations of the agency", which has also ensured that Mr Ellis does not see confidential papers relating to regulation of the banana sector.

However, the committee said it was "absolutely unacceptable" that a chairman of the intervention board should be in a position where he was excluded from the operations of the organisation in an important sector.

The MPs added: "We recommend that [the ministry] take steps to ensure that the problem is swiftly rectified and that no such potential conflict of interest occur in senior positions in the future."

# Confusion over compliance move

Fimbra, the self-regulatory body for financial advisers, has become involved in an apparent misunderstanding with one of its members - Knight Williams - over the need for stronger compliance measures.

The regulator said it had suggested that Knight Williams' compliance function should be strengthened with a senior appointment that had its approval.

However, Mr John Williams, Knight Williams' managing director, said the recent appointment of Mr Colin Pinnell, formerly head of legal services at Fimbra, to oversee its legal and compliance department had "nothing to do with any suggestion from Fimbra" which had "never said to us that we should strengthen our team".

Weekend FT, Page III

# Take-up of Family Credit tops 500,000

More than 500,000 families are now claiming Family Credit, the benefit paid to people on low wages who look after children, the Department of Social Security said yesterday.

It figures show 521,320 families were receiving Family Credit in January, £6,000 more than the year before.

The average amount paid has risen by more than £3.70 a week to over £46 a week.

# Civil Service jobs

The new director of the Treasury's procurement group is to be Mr Neil Deverill, a senior vice-president of AB Electrolux. Mr Charles Massfield is to become head of defence export services at the Ministry of Defence, on secondment from British Aerospace.

# Group 4 to run middle-risk prison

and advancing private-sector involvement.

Invitations to tender for two big prisons to be built in Liverpool and south Wales have just gone out.

The private sector is being asked to finance, design, build and manage these projects, and private prison operators are linking with construction companies to prepare bids - Group 4 will be bidding in conjunction with Tarmac.

The government also plans to ask the private sector to bid to manage some established public prisons; the first one or two prisons selected for this process will be named in the autumn.

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Financial Times. Europe's Business Newspaper.

# MPs will investigate opening of gas market

By Robert Corzine

The trade and industry select committee yesterday announced that it will hold an inquiry into the planned deregulation of the domestic gas market.

The announcement came amid growing doubts in the gas industry that the government is still committed to the plan it announced last December to phase in domestic competition, beginning in 1996.

The inquiry, which will start immediately after parliament returns from its summer recess, will examine "the timing and the manner of opening up the domestic gas market to competition".

It will also look at the possible impact of competition on gas prices for various types of consumer. Safety, security of supply and standards of service will also be examined.

Ofgas, the industry's regulator, said it did not expect the parliamentary inquiry to affect its effort to develop detailed plans to open up the residential market to competition.

The Gas Consumers Council welcomed the announcement. Mr Ian Powe, the council's director, said it should make the present consultation process between the government, the regulator and industry more open.

Mr Marshall's remarks, while it is understood to have concluded that manufacturer pressure to "move metal" is exaggerating the true size of the market through dealers pre-registering cars without the 2m mark.

The federation would not clarify Mr Marshall's remarks, but it is understood to have concluded that manufacturer pressure to "move metal" is exaggerating the true size of the market through dealers pre-registering cars without the 2m mark.

The Gas Consumers Council welcomed the announcement. Mr Ian Powe, the council's director, said it should make the present consultation process between the government, the regulator and industry more open.

Buckley Hall will house 350 medium-risk category C convicted prisoners, helping to ease pressure on prison spaces in the north-west. Group 4 already runs Wolds prison on Humberstone and operates the service escorting prisoners to court in the east Midlands and Yorkshire.

The contract will be worth £33m over five years. Group 4's bid, which was not the lowest, was selected over three others from the private sector and a fourth from an in-house public-sector team.

# New car sales 'set to beat 2m'

By John Griffiths

The Retail Motor Industry Federation, representing the UK's 7,600 franchised dealers and other independent motor traders, yesterday raised its forecast for new-car registrations this year to more than 2m.

The first 2m-plus projection to be made by a big industry association came as dealers were engaged in a flurry of activity to deliver the first 500,000 cars to customers when the plate becomes legal at midnight on Sunday.

The federation's latest figure of 2.01m units compares with its previous forecast of between 1.8m and 1.9m. The Society of Motor Manufacturers and Traders, the largest trade and lobby organisation, is predicting 1.85m.

The survey found that 34 per cent of motorists considered it an "excuse" for the trade to increase prices, and 27 per cent viewed it as an "exercise in snobbery".

Of the 500,000 August registrations expected, manufacturers' order books for companies such as Citroen, Peugeot and Volkswagen indicate that more than 100,000 of the total will be diesel cars, confirming their status as the fastest-growing sector of the car market.

According to Citroen, on some of its model ranges such as the ZX estate, diesel versions are outselling their petrol equivalents.

In a further survey by Volkswagen, in which 63,000 car owners were questioned, 10 per cent were found to drive diesel cars - but 30 per cent said they would be buying a diesel when their car was replaced.

More than 340,000 diesel cars were sold in the UK last year.

Rolls-Royce Motor Cars is adding production of its £170,000 Corniche convertible and similar Bentley Continental models after 22 years.

The same private interests.

Mr Lewis said the Prison Service had been spoilt for choice by the bids.

Growing experience of tendering to manage prisons was now generating high-quality bids from both the private and public sectors.

Buckley Hall, a former junior detention centre, has been rebuilt in less than a year to rehouse adult prisoners - making it Britain's fastest-built jail in modern times. It will open in December, and create 150 full-time jobs.

The award of the Buckley Hall contract marks the start of a further phase of market testing of prison management

# Lloyd's poised to scrap three-year accounting

By Andrew Jack

Lloyd's of London yesterday signalled the probable end of the archaic requirement for underwriting syndicates to report their results over a three-year period.

The corporation said it was considering removing the financial practice which is linked to nautical traditions as old as the 300-year old insurance market itself.

The move is partly a symbolic

modernisation but is also likely to have widespread implications in releasing profits more quickly to both corporate capital and Names, the individuals whose assets have traditionally supported the market.

The practice of using three-year accounting periods for syndicates is rooted in the origins of Lloyd's, which derived its business from insuring trading ships on their voyages around the world.

Three years was the time it took before ocean-going vessels returned to dock in England, at the end of which underwriters would know for certain the size of any claims on which they were expected to pay.

Since then the range of insurance activities underwritten at Lloyd's has diversified and the reasons for the practice have been lost in history.

Lloyd's said yesterday: "A three-

year return voyage to the Spice Islands can't really be equated with an aircraft crash or the sales rep driving around the M25 in a car."

The Lloyd's market and regulatory boards have both in principle agreed to allow syndicates to reduce the three-year accounting period to two years.

A further progression to one-year accounts - in line with the practice of most companies and other organi-

sations which issue financial statements - is likely to follow.

The modification still requires the approval of the Lloyd's Council, which meets next Wednesday, and further details are likely to be released by October.

Under the changes - which will be voluntary - an interim payment from the 1993 underwriting year could be paid during 1995.

The first two-year accounting cycle would start with the 1994 year,

allowing it to close at the end of 1995 with profits distributed during 1996.

The result would be that loss-making Names would be able to offset their outstanding losses more quickly against profits generated by the syndicates of which they are members.

Some predictions suggest that across the market there will be modest losses in 1992 but that 1993 is likely to be profitable after several years of heavy losses.

# Pension members win costs ruling

By John Mason, Law Courts Correspondent

Members of pension schemes taking legal action over alleged mishandling of fund assets were placed in a stronger position yesterday by a Court of Appeal ruling that they can be awarded costs from pension funds before cases reach court.

Three judges upheld a High Court decision granting a "pre-emptive costs order" to the beneficiaries of the pension scheme run by Melton Medes, a trading conglomerate.

The members allege fund assets were improperly handled when a £5m loan was made from the fund to the company and later repaid. They are claiming £7m compensation.

The members have argued they could not pursue their case without the costs order applied for after their union, the Graphical Paper and Media Union, had to stop funding the action.

In reaching their decision the judges made clear they were responding to concerns expressed by the Pension Law Review committee headed by Professor Roy Goode. The committee had called on the judiciary to set clear guidelines for pre-emptive costs orders for pension case litigants.

Concern has centred on the inability of pension fund members to bring legal action when they are ineligible for legal aid.

Lord Justice Hoffman warned their decision might not be confined to pension cases and could have implications for all trust litigation.

## Terrorist targets identified last year

By Jimmy Burns

A security report identifying London's "embassy row", which includes the Israeli embassy, as a prime potential target for a car-bomb attack was given to the royal household and to the Metropolitan Police at the end of last year.

The 100-page risk analysis, which detailed the resurgent threat of fundamentalist groups opposed to peace moves in the Middle East, was prepared by one of Britain's leading anti-terrorist experts.

It was commissioned by officials working for the royal family as part of a security review of the state departments of Kensington Palace, which is situated near the Israeli embassy.

The report's author, Major John Wyatt, was a serving officer in Ulster. His private company, Search Training International, has advised businesses on protection against terrorism and on security for the Crown Jewels.

Major Wyatt said this week that he had been concerned about security being relaxed prior to Tuesday's bomb at the Israeli embassy. However he added that in his view "no degree of risk analysis" could have prevented the attack.

Nevertheless news of the report's existence will be an embarrassment to security officials who have been criticised by the Israeli government for ignoring requests for additional security after the July 18 bomb attack on the central Jewish community building in Buenos Aires which killed at least 96 people.

Scotland Yard would not comment on the report but a police official expressed surprise that a risk analysis for Kensington Palace on such a sensitive subject should have been commissioned from a private consultancy and not from the police or the intelligence agencies.

The report does not specifically refer to the Israeli embassy. However it identifies the growing threat of terrorism by Iran and by fundamentalist groups opposed to the Middle East peace moves.

According to the analysis, the threat had shifted from the US to Europe following the bomb attack on New York's World Trade Centre.

Predictions of an upsurge in fundamentalist terrorism do not appear to have been shared by MI5 and MI6, the intelligence agencies. Both appear to have focused their attention on the threat posed by the IRA.



Eric Britt, master of the Worshipful Company of Cartmen, at the annual cart-marking ceremony in the City yesterday. The Corporation of London has traditionally exercised a right of jurisdiction over carts for hire in the City. Photograph: Ashley Ashwood

## MPs urge more economic debate

By David Owen

Senior Tories are adding their weight to Labour calls for the government to earmark more time for debating economic issues as part of a package of parliamentary reforms.

Sir Terence Higgins, MP for Worthing and chairman of the liaison committee of select committee chairmen, is worried that the move to a unified Budget has resulted in fewer appearances before MPs by Mr Kenneth Clarke, the chancellor.

Sir Terence, a highly respected senior backbencher, used a recent Commons debate to say that he could not remember an occasion in the last 30 years when a chancellor had gone as long as seven months without addressing the Commons.

He described the move to a unified Budget as "pretty disastrous" in procedural terms. "As a result of that change, opportunities to debate the most important area of policy - economic policy - have been seriously eroded," Sir Terence said.

His comments come as talks between the two main parties aimed at coming up with a package of procedural reforms are said to be making headway. Mr Tony Newton, the

Commons leader, told MPs before the summer recess that "good progress" on identifying a package of reforms had been made - although "a good deal of detailed work remains to be done".

His feelings were echoed by Mr Nick Brown, his Labour opposite number, who said he hoped proposals could soon be put to MPs "that may well apply in the next session".

The number of late-night sittings and the format of prime minister's questions are understood to be among the subjects the two sides are discussing.

The reform initiative followed a call by Mr John Major, the prime minister, last month for some of parliament's antiquated procedures to be overhauled.

● The government is hoping to introduce a controversial bill increasing Britain's contribution to the European Union budget early in the next parliamentary session, starting in November, having been prevented from legislating in the last session by a dispute in the EU Council of Ministers.

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## BAA plc results for the three months ended 30 June 1994

	3 months to 30 June 1994 (unaudited)	3 months to 30 June 1993 (unaudited)	change %
Passengers	22.1m	20.8m	+6.0
Revenue	£305m	£291m	+4.8
Pre-tax profit	£111m	£100m	+11.0
Earnings per share (after one for one capitalisation issue)	8.0p	7.2p	+11.1

Pre-tax profit was £111m, up 11%, with revenue of £305m, up 4.8%. The financial performance reflects strong traffic growth together with increased retail income and improved property income. The Company continued to keep tight control of its operating costs and productivity improved by 5.7%.

Passenger numbers increased by 6% with particularly strong growth in the charter and long haul markets. Revenue from airport charges was £17m, a rise of 5.6%. The Company is forecasting traffic growth of between 5% and 6% for the year as a whole.

Retail revenue rose to £125m, up 8.5%, despite sales continuing to be held back by disruption from the redevelopment of facilities at the airports. Where new facilities have been completed growth is higher. In Terminal 4 retail revenue grew by 14.1% and by 7.3% per passenger and in Terminal 3 where the phased redevelopment was recently completed, growth is 16.8% for the

three months and 4.4% on a per passenger basis.

Airport property income rose by £4m to £40m reflecting the contribution from new facilities such as the Combined Operations Centre for British Airways at Heathrow.

Capital expenditure rose by 72.6% to £88m. The Company continues to exercise tight control over the costs of its major projects. Net debt has increased by £33m and now stands at £722m.

Chief Executive Sir John Egan commented, "The three month trading performance shows the Company's airports benefiting from strong traffic growth as the worldwide economy recovers. Gatwick in particular has shown its strongest growth for three years. Our strategy of developing the core business, building revenue and controlling costs has enabled us to capitalise on this growth and this confirms our confidence in the prospects for the next nine months and beyond."

### CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 1994

31 March 1994	30 June 1994 (unaudited)	30 June 1993 (unaudited)
£m	£m	£m
3,604	3,678	3,073
(239)	(238)	(113)
3,365	3,440	2,960
(822)	(815)	(839)
2,543	2,625	2,121
£4.98	£5.14	£4.18
£2.49	£2.57	£2.09

### NOTES ON THE BALANCE SHEET

1. The Group's investment properties are included at 31 March 1994 valuations as adjusted for subsequent events since that date.

2. Airport fixed assets include £82.3m representing expenditure in date on Terminal 5 (30 June 1993: £57.5m; 31 March 1994: £76.2m).

3. Liabilities include borrowings of £815.0m (30 June 1993: £621.4m; 31 March 1994:

£14.8m restated in accordance with FRS 4, Capital Instruments).

4. The capitalisation issue was approved by shareholders at the Company's Annual General Meeting on 14 July 1994.

### CONSOLIDATED CASH FLOW STATEMENT FOR THE 3 MONTHS ENDED 30 JUNE 1994

31 March 1994	30 June 1994 (unaudited)	30 June 1993 (unaudited)
£m	£m	£m
474	85	109
(161)	(2)	(4)
(70)	(10)	(10)
(236)	(106)	(51)
7	44	44
22	3	23
15	(36)	21
7	(33)	44

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# Last tango in the Middle East

Mark Nicholson unravels Syria's role in the peace process

**A**fter the pomp and publicity of the White House garden ceremony on Monday, when King Hussein of Jordan and Mr Yitzhak Rabin, Israel's prime minister, signed an end to a 46-year-old state of war on a sunlit table, the focus of the peace process returns to the Middle East. This time it disappears behind the firmly closed doors of the presidential palace high on the hills overlooking Damascus.

Mr Warren Christopher, US secretary of state, is expected in Syria again as early as next week, just over a fortnight after his last round of talks with President Hafez al-Assad, the Syrian leader. The visit is a clear attempt to use the fresh momentum of this week's signing to push along the Syrian track of the three-year-old Middle East peace process, which has proved the slowest.

Mr Christopher will be hoping Mr Assad has read the signals from the White House. The Syrian leader, who is seeking much closer ties with the US and the removal of his country from America's list of state sponsors of terrorism, will have seen the warmth of the reception accorded King Hussein, who appeared to have erased the damage done to US-Jordanian relations during the Gulf war.

He will have seen that peace brings material rewards – in Jordan's case, US promises of military aid and debt relief worth \$700m. Mr Christopher might additionally hope that Syria will feel left behind in the peace process, and that Mr Assad might quicken his step in the negotiations. For as Mr Shimon Peres, Israel's foreign minister, said yesterday that the sides still remained far apart: "Right now it's not a tango, it's not a dance between the two [parties]."

Mr Assad will have digested these developments, though close diplomatic and academic observers doubt whether he is susceptible to pressure on the basis that he is being "left behind". One senior western diplomat suggests that a man famous for sitting ramrod-straight for hours during diplomatic meetings to convey the impression of implacable strength and resolution would not give any sign of being hurried, even if he felt it.

**J**ohn Lloyd examines the power of television to help create a consumer society in Russia

## The Possessed

**I**n an advertisement for the collapsed MMM finance house – still running on Russian television as thousands of jittery investors crowd about its outer-Moscow offices seeking to cash their share at virtually any price – Lenya Golubkov, the commercial's central character, is in California with his brother Ivan. They are at the football match between Russia and Argentina which destroyed the former's dreams of taking the World Cup.

The commentary is jokey, the camera shots are quick and quirky. The main point is that Ivan is in despair – not over the Russian team's performance, but because Lenya, who has funded the trip, has done so because he has put his money into MMM shares – while Ivan, a working stiff all his life, still has nothing.

As General Electric hired a clean-cut, right-thinking, second-rank actor named Reagan with which to identify its products in the 1980s and 1990s; as GE built up the middle-class English personality of Katie to drive home the essential goodness of its product, so Bakhty Kilbayev, the Kazakh director of the Lenya series created a one-representing-all working-class character, whose job as an excavator driver is abandoned for a life of wealth and leisure through his embrace of MMM.

MMM, launched by Mr Sergei Mavrodi, had huge success this year by selling shares in itself. It quoted its own rocketing share prices – from 1,600 rubles (about US\$1) in February

to more than 100,000 roubles this week – to an ever-widening circle of buyers. Whether they numbered the 2m or the 10m claimed by Mr Mavrodi, the figure is still larger than the Russian army. Since MMM seemed to have no means of making money other than the constant selling of its rapidly-rising shares, it was widely assumed to be a pyramid company funding new business with old receipts. After a triple salvo of government warnings on its solvency it admitted its virtual collapse yesterday, telling investors it had nearly run out of cash and offering them a paltry 950 roubles (US\$40 cents) per share.

However, Mr Mavrodi has not given up. He has launched a political campaign against the government itself, threatening to revolt, or at least to sign a petition calling for a referendum on the government's competence. Significantly, he used Lenya in this piece of *jeze* *majesty*: "So the authorities don't like Lenya Golubkov and Marina Sergeyevna (a family friend)? But do Lenya Golubkov and Marina Sergeyevna like these same authorities?" – an explicit effort to equate Lenya and Marina with Russia's anti-government citizenry.

Lenya, as projected by Mr Kilbayev, is a figure in transition – as most Russians are. A simple if shrewd man in an extended family, his "life" is crazy, impulsive, and when not caught up in cuttings to Calif-

ornia and to Paris, is lived largely on and around the couch from which he and his extended family watch TV.

Putting a TV in the commercials as well as the commercials on TV showed the instinctive mastery which has distinguished the campaign. In the post-Soviet period, the Russian channels old and new are a riot of raucous game shows, western soap operas and films, and the remains of the rambling Soviet talk programmes – and lengthy, frequent commercials, of which MMM's have been the most frequent and the most vivid. Vivid most of all because – in contrast to the many in which sleek young men in dinner jackets and women in shimmering, close-fitted gowns slither round Japanese jeeps – it is both a slice of life in the apartment block, and a send-up of it. It endorses both the common feeling that we are all living through chaos

**L**enya Golubkov is proletarian turned consumer, object of history trying to be its subject

where anything goes (and therefore anything can be gained), and a cynical comment on just that view, a shrug which says: so it's stupid, so it's crooked, so what?

When President Boris Yeltsin said Lenya got on his nerves, millions of Lenyas were, according to the daily *Izvestiya*, insulted. When Prime Minister Victor Chernomyrdin warned Lenya (by name) that his dream time was coming to an end, Mr Mavrodi went on the attack and threat-

ened to end Mr Chernomyrdin's power by the force of his aroused shareholders.

Mr Mavrodi's audacity is, through Lenya, to identify his TV character with the undoubtedly deep feelings of resentment and frustration felt by ordinary citizens when confronted with a country whose

prestige and power has been cut at a stroke,

whose economy continues to decline, where crime is exploding and fear of it is pervasive, and where the figures of authority are routinely dismissed as venal and uncaring.

Lenya also touched a wide range of Russian references. An anonymous psychiatrist writing in the weekly *Soversheno Sekretno*, said that in his couch-bound idleness and his production of fantasies, Lenya was a TV recreation of

defences, and goes on the offensive – a consumption offensive of the kind big stores from Istanbul to Miami have noted with delight, as Obolomovism, or dreamy idleness.

But in his working-class past and his escape from it, Lenya

Rader

proposes to everybody the possibility of unshackling themselves from the previously powerful state-promoted myth of Soviet Citizen – proud yet obedient, militant but in the direction determined by the party, having surpassed class, want and individualism in pursuit of an ideal (and in part a collective, all-encompassing security and social and intellectual identity).

Lenya Golubkov will last as an influence even though the company which gave him birth has folded. He is the media image of the Russian coping with the latest oppression, that of the world of consumption with its attendant images, myths and falsehoods, its new liberations and new enslavements. He is the proletarian turned consumer, the object of history struggling to be its subject. Mr Mavrodi's threat to mobilise millions of Lenyas against the state authorities is likely to be the last throw of a gambler with the chips stacked against him. But he has helped unleash something bigger even than the dreams he encouraged, and has now betrayed.

In its place is the crazy, self-interested, wealth-pursuing world of Lenya Golubkov, where luck and nerve bring rewards to oneself and one's own. The family was always a shelter for individuals against the relentless collectivism of Soviet life. Now it drops its

defences, and goes on the offensive – a consumption offensive of the kind big stores from Istanbul to Miami have noted with delight, as Obolomovism, or dreamy idleness.

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## COMPANY NEWS: UK

## H&C cuts plantations link with \$273m sale

By Peggy Hollinger

Harrison's & Crosfield yesterday closed the book on almost a century of history with the announcement that it had sold its Indonesian plantations to a group of four Indonesian businessmen for \$273m (£176m) cash.

The disposal has been expected for some time. Harrison's, which began life in the 19th century as a tea trader, has been steadily severing its colonial links since the late 1980s.

Harrison's 19 Indonesian estates, producing palm oil, rubber, copra, tea and coffee, are by far the most profitable of the company's remaining plantations. They

were nationalised by the Indonesian government in 1964, but returned to Harrison's ownership in 1989.

Last year they contributed \$18.1m of the reported \$24m in plantation operating profits.

The group retains a 57 per cent stake in palm oil plantations in Papua New Guinea.

Mr Bill Turcan, the new chief executive, said Harrison's had got the best possible price against a background of rising palm oil prices.

The proceeds will be used to reduce short-term debt, he said, with the balance put on deposit. If the sale had been completed in the last financial year, debt would have been reduced to £9m to give gear-

ing of 14 per cent compared with the reported 48 per cent.

Earnings would have been diluted by about 0.5p.

The company will be publishing pro forma accounts for shareholders when it reports its interim results on Wednesday, Mr Turcan said.

The disposal is part of Harrison's strategy to reposition its businesses.

However, it was also forced on the group in part by the Indonesian president's decree that at least 20 per cent of the business had to be sold to Indonesian nationals. Harrison's had been preparing for a flotation in 1996, but decided to sell the whole operation after several approaches.

## Retail growth helps BAA to £111m in first quarter

By Simon Davies

Rapidly increasing retail income helped BAA turn in an 11 per cent rise in pre-tax profits to £111m for the first quarter to June 30.

Turnover rose 5 per cent from £251m to £265m.

The largest increase came from retail revenue, up 8.5 per cent at £125m, in spite of the ongoing programme of redeveloping terminal facilities.

The company has completed the extension of the retail areas at Terminals 3 and 4 at Heathrow, where double digit increases were achieved.

It is now implementing a rolling expansion programme which will provide it with 900,000 sq ft of retail space by 1997. It currently has 600,000 sq ft of shopping space.

Passenger numbers grew by 6 per cent to 22.1m during the quarter, and the company, which operates seven UK airports, is predicting that traffic growth will be maintained at between 5 and 6 per cent for the current year.

In the most recent set of statistics, for June, growth in passenger throughput had accelerated to 9 per cent.

Sir John Egan, chief executive, said: "Our strategy of developing the core business, building revenue and controlling costs has enabled us to capitalise on this growth and this confirms our confidence in the prospects for the next nine months and beyond."

He said Gatwick had recorded its strongest growth for three years, due to increasing charter traffic.

Revenues from airport charges rose 5.6 per cent to £117m, while airport property income improved 11 per cent to £60m (£36m), as new facilities came on stream.

Capital expenditure increased by 73 per cent to £85m, reflecting the £1.4bn spending programme announced earlier this year.

This included a substantial increase in spending on the £200m Heathrow Express, the high speed rail link to London's Paddington station due for completion in 1997.

Earnings per share were 8p (7.2p).

The share price fell 20p to 95p on profit-taking, but analysts maintained their full year forecasts, with expectations of about £270m for the year to end-March.

## Gt Southern up 11% as SCI buys more shares

By Simon Davies

Great Southern Group, the besieged UK funeral company, yesterday announced an 11 per cent increase in interim profits and urged shareholders to ignore the current offer by Service Corporation International, the US funeral group.

However, SCI executives will fly into London on Sunday night pressuring an expected increase in their 600p a share bid for Britain's third largest funeral operator.

Mr Bill Heighington, president of SCI, described the latest document by Great Southern as "pathetic". His company bought a further 1.6 per cent of the company's convertible shares yesterday, showing SCI's commitment to the bid.

However, the bid remains opposed by JD Field, Great Southern's largest shareholder, which owns 56 per cent. Members of the Field family, and the trustees which control 70 per cent of JD Field, met yesterday to discuss SCI's offer.

Mr Christopher Stainforth, managing director of corporate finance at Guinness Mahon, JD Field's advisers, said: "Everyone is agreed that anything close to 26 is just not enough."

Great Southern's £3.82m (£4.55m) pre-tax profit for the half year to June 30 was set against a 2.5 per cent decline in the mortality rate, and operating profits from its core business of retail funeral services fell to £2.31m (£2.38m).

The crematorium and cemetery operations increased profits to £1.12m (£1.02m), but the main contributor to growth was its pre-paid funeral business, Chosen Heritage. Great Southern sold 10,500 (9,600) funeral plans in the first half and has started booking profits from the actuarial surplus of funds held from these plans, set against the anticipated costs of the funerals. This contributed £774,000 (£552,000 restated).

Earnings per share were 19.7p (17.6p) and an interim dividend of 4.5p (4p) is declared. An increased final forecast for a 14p (12.2p) total.

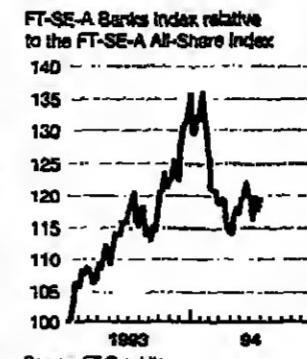
SCI only records profits from its "pre-needed" policies upon completion of the actual burial, and it has attacked Great Southern's accounting treatment.

SCI has another week to increase its offer.

## Future worries affect the present

John Gapper on the clearers' prospects in the wake of Lloyds' results

## UK banks



Source: FT Graphite

high profits and capital will be frattered away in competition.

Lloyd's results reinforced this impression in a number of ways:

- The bank's loans and advances to customers fell from £3.2bn at the year-end to £3.0bn at the end of June. Loan demand has been subdued despite the recovery, although Sir Brian Pitman, Lloyds' chief executive, said a rise in demand for loans was likely to give the bank a "tail-wind" by the year-end.

- It added a further half percentage point to its tier one ratio of capital to risk-weighted assets, taking it to 7.1 per cent. It could be taken to less than 5 per cent by the Cheltenham & Gloucester acquisition, but it is a sign that other banks will soon build up capital well in excess of their needs.

- Fees and commissions were flat, rising only from £666m to £685m. The rise in fees was one of the main methods by which banks improved operating income in the early 1990s, taking the opportunity presented by either losses or slim profits to re-price services to companies and individuals.

- Net interest income in the UK retail banking and insurance business fell marginally, from £661m to £655m. The bank's mortgage balances grew faster than the industry as a whole, but suffered an erosion in margins. Sir Brian emphasised the extreme price sensitivity of the mortgage market.

Taken together, analysts argue that this means banks are building up cash for which they have no use. It will either find an outlet in acquisitions similar to Lloyd's purchase of C&G, or will be handed back to shareholders, or will be used to pay for price competition to gain market share.



Sir Robin Gibbs (left) and Sir Brian Pitman: possibility of lower prices for customers to increase market share

do so if it calculated that volumes would rise to compensate.

In practice, analysts believe that banks will have little choice but to succumb to price competition in an overcrowded retail market. Mr Ellerton cites the example of a colleague charged a 43 per cent annual percentage rate of interest on his £500 mortgage, after taking fees into account.

"A lot of the charges they stuck on in the recession will unwind now. They just will not be able to hold them," he says. Mr Ellerton says that lower-cost financial services producers such as Lloyds and C&G will initiate price wars because they will be able to bear competition more readily.

This provides an uncertain future for bank dividends, after the large increases paid out by several at the full-year.

Such is the expectation generated by banks' capital strength that Lloyd's 14 per cent rise was greeted with derision yesterday. That will not have comforted the banks yet to report.

## Tesco considers next move

By Neil Buckley

City analysts were divided yesterday over whether Tesco was likely to re-enter the takeover battle for Wm Low following J Sainsbury's bid of 305p a share for the Scottish supermarket group on Thursday.

After Tesco's failure to respond immediately with a higher bid, and reports that its directors and advisers were locked in meetings yesterday, there were suggestions that the UK's second-largest food retailer was wavering over whether to raise its offer.

Tesco is thought to have expected a bid from Sainsbury

of about 230p a share, and has been wrong footed by the 305p offer, which valued Wm Low at £210m – a 36 per cent premium to Tesco's original agreed offer of 225p a share, worth £154m.

"I don't think Tesco had really thought through the implications of Sainsbury coming back at that price," said one analyst.

A source close to Tesco hinted the company was anxious not to be seen to have been pushed into overpaying for the 57-store Wm Low group.

Most analysts, however, still believe Tesco will make a bid of about 335p a share on Monday or Tuesday. That would

leave Sainsbury with the choice of whether to push the price to 350p or more.

Others are convinced Tesco will itself bid 350p in an attempt to guarantee victory.

"I think Tesco will bid 350p on Monday," said Mr Nick Bubb, retailing analyst at Morgan Stanley. "I am beginning to wonder if Sainsbury would then come back at 400p."

Shares in Wm Low fell 10p to 325p.

However, shares in Wm Morrison, the north of England-based supermarket group, gained 5½p to 139½p yesterday amid speculation that it might become a takeover target.

## Evans Halshaw buys more dealerships for £5.7m

By Paul Cheeswright, Midlands Correspondent

Evans Halshaw, the motor distributor, is expanding further from its West Midlands base with the acquisition for £5.7m of GT Cars Group, a private company with seven dealerships in the east Midlands and South Yorkshire.

The purchase, foreshadowed in June when Evans Halshaw launched a £25m rights issue, completes an acquisitions programme which, in the last year, has more than doubled its number of dealerships to 90.

"We need to spend the next 12 to 18 months consolidating what we've got," said Mr Geoffrey Dale, chairman.

Consideration for GT is £750,000 in cash, £2.7m in loan notes and the issue of 435,000 new shares at 45½p each, a premium of 11½p on yesterday's closing share price.

In a separate transaction, Evans Halshaw is paying £1m in loan notes for the freehold of three sites which GT holds under lease.

Both deals will be financed from existing cash resources and banking facilities.

## Lower bad debts boost N of England Society

By Alison Smith

North of England Building Society, which is planning to merge with Northern Rock, yesterday announced pre-tax profits of £5.21m for the six months to June 30, an increase of 6.8 per cent on the comparable period last year.

The rise was largely due to a fall in provisions for bad and doubtful debts from £7.07m to £5.77m.

New gross lending fell to £51m over the period, sharply down on the £7.4m advanced in the first half of 1993.

The decline compared with the sector average which showed a slight rise in gross lending.

## Conran loan to Fitch approved

An extraordinary meeting of Fitch, the design company, yesterday approved the provision of a loan facility of £25.5m.

Total assets rose from £28.3m. Total assets rose slightly over the six months from £25.95m at the start of the year to stand at £25.514m, compared with £24.95m a year earlier.

Mr Ronald Shiel, chairman, said that the merger with Northern Rock, the 11th largest society, had taken much time and effort since its announcement at the start of May.

He acknowledged that activity in the lending and savings market had been at a low level, and said that competition had been intense for what business was available.

The move was in order to "foster a spirit of partnership between shareholders and key individuals", directors said.

Fitch cut pre-tax losses from £3.95m to £3.18m for 1993.

Analysts estimated that the bank's tier

## Beacon Investment Trust raises £19m

By Bethan Hutton

A new investment trust specialising in small companies traded under Stock Exchange Rule 4.2 – until recently known as Rule 53.2 – has raised £19m through an institutional placing.

Sir Terence already holds 25 per cent, while the French Brand Trust owns 35 per cent.

Senior managers will also have the option to purchase up to 30 per cent of the company from Sir Terence and the Brand Trust.

The move was in order to "foster a spirit of partnership between shareholders and key individuals", directors said.

Shares in the trust will be eligible for inclusion in per-

sonal equity plans, which should boost its appeal to private investors.

The shares have been issued at 100p, having an initial net asset value of at least 96.5p, with one warrant attached to every five shares. The trust will have an initial life of 10 years. Dealings are due to start on August 8.

The Rule 4.2 market is a more lightly regulated and cheaper home for small company shares than the Official List. It originally operated by means of matched bargains, but there is growing involvement by marketmakers. Companies using the trading facility include football clubs and Westabix.

Earnings per share were 60.5p (53.75p). A final dividend of 11.35p is recommended, to give a total of 15.95p (14.05p).

**Green Property**

Green Property, the Dublin-based investment group, announced sharply improved interim profits as it drew benefit from the acquisition of Na Mara Investments in February.

Pre-tax profits for the six months to June 30 jumped to £2.05m (£2.02m) against £1.66m last time, and took in a surplus of £11.03m from the sale of properties acquired with Na Mara.

Earnings per share were 6.75p against a restated 3.42p. The interim dividend is again 1.2p, payable on capital increased by the rights issue earlier this year.

**Wm Ransom</b**

affect the press

## Two US healthcare groups agree to \$720m merger

By Richard Waters  
in New York

The spate of mergers among health maintenance organisations (HMOs) in the US continued yesterday with the announcement of a \$720m all-stock merger of two groups with operations concentrated in western states.

Foundation Health, a company based in California which has recently concluded a series of acquisitions in the south-east, said it had reached agreement to acquire Arizona-based Intergroup Healthcare. It is to pay \$44m in stock for Thomas Davis Medical Centres, which owns 63 per cent of Intergroup. In addition, Foundation is offering a choice of ordinary

stock or convertible preference shares to holders of the remaining Intergroup shares.

Together, the two would cover 1m individuals through their HMO operations and have annual revenues of \$2.4bn, creating a company in the top dozen of that US sector.

HMOs are rapidly replacing traditional health insurance companies in the US. Unlike insurers, they actively manage the provision of healthcare to the individuals they cover in order to bring down costs.

The wave of acquisitions in the sector marks an attempt by the bigger organisations to spread their administrative and marketing costs across a bigger customer base, to increase their bargaining

power with healthcare providers such as hospitals and to extend their networks into other regions in the country.

The intergroup deal appears to mark the growing competition to acquire smaller HMOs. The price being offered was well ahead of market expectations the day before when Intergroup confirmed it was in discussions with an unnamed bidder. Yesterday morning, its shares rose \$1.05 to \$38 after a jump of 92% the day before.

Foundation said the stock it had to issue in the deal would cut its earnings per share by 35 cents next year. But it expected lower costs and the opportunity to sell new services to Intergroup's customers.

## Escondida mine to expand further

By Nikki Tait in Sydney and Kenneth Gooding in London

The go-ahead has been given for a further expansion of the Escondida copper mine in Chile at a cost of US\$320m. It will make Escondida the world's biggest copper mine by mid-1996 and also turn Broken Hill Proprietary, which entered the business only five years ago, into the world's leading producer of traded copper.

RTZ of the UK, the world's biggest mining company and one of the partners in Escondida, will move ahead of Phelps Dodge, the biggest US copper producer and be not far behind Codelco, the state-owned Chilean group that cur-

rently heads the world copper production league.

The new expansion will lift Escondida's annual production capacity from 480,000 tonnes of copper to an average of 800,000 tonnes.

Construction will start immediately. The increased tonnage will start to build up from the second half of next year and output at the higher level will last to 2000.

Escondida will increase supply of copper concentrate (an intermediate material) to local smelters – among them those owned by Enami, Codelco and Refimet. Following expansion, about 80 per cent of the mine's production will be refined in Chile.

Production started at the 320m Escondida open pit mine in 1980, and has been expanded twice – costing \$76m and \$200m respectively.

BHP, Australia's biggest company, owns 57.5 per cent; RTZ has 30 per cent; a Japanese consortium led by Mitsubishi, 10 per cent; and International Finance Corporation, 2.5 per cent.

The news left BHP shares 32 cents higher at A\$19.02 in Australia yesterday, in a generally firmer market.

RTZ pointed out that Escondida produced about 389,000 tonnes of copper last year and contributed £36m (£55.4m) to RTZ's net earnings totalling £373m.

## Strong demand lifts Sapporo Beer

By Emiko Terazono  
in Tokyo

Profits at Sapporo Beer, the Japanese brewer, rose sharply for the first six months to June due to a rise in demand and a decline in operational costs. Non-consolidated pre-tax

profits rose 41.2 per cent from a year earlier to Y6.9bn (\$66.4m) on a 4.3 per cent rise in sales to Y267.4bn. After-tax profits rose 8.9 per cent to Y3.2bn. Sales of the company's mainstay beer rose 3 per cent to Y238.1bn, with sales volume increasing 1 per cent. Operat-

ing profits rose 51 per cent to Y11.2bn due to a Y8bn cut in material, distribution, and advertising costs.

The company expects full-year pre-tax profits to rise 4 per cent to Y11.5bn on a 9 per cent increase in sales to Y239bn.

## Groupe Bull reduces loss to FFr843m in first half

By David Buchan in Paris

Groupe Bull, the state-controlled French computer company, yesterday said it had brought its net current loss for the first half of the year down to FFr843m (\$152m), or less than half its FFr1.96bn loss for the same period of 1993.

Mr Jean-Marie Desarpentigny, president, claimed his goal for the group to break even on its operational results for the whole of 1994 "now appears achievable", and Bull was "now positioned for privatisation".

The European Commission has still to rule on whether the French government can go ahead with a FFr2.5bn capital increase for Bull, and whether a similar FFr1.8bn allocation last year to Bull was permissible.

Bull has said it needs this aid to counter the effect of chronic past losses. The latest sharp reduction in Bull's losses will not necessarily weaken French arguments in Brussels for the state aid, which can perhaps now more plausibly be represented as a rational investment rather than money disappearing into a bottomless pit.

Bull reduced its operating loss to FFr433m in the first six months of this year, compared with FFr1.2bn in the same period a year earlier. Turnover rose 11 per cent to FFr13.85bn, with the strongest growth recorded in the personal computer division of Zenith Data Systems whose sales rose 55 per cent on a year earlier. Bull said stringent cost and salary restraints accounted for the improvement.

Last month, the French government invited tenders for banks to act as advisers on Bull's privatisation. At the same time Mr Desarpentigny has tried to reinforce the group's links with NEC of Japan which holds a 4.4 per cent stake in Bull.

WMX Technologies, formerly known as Waste Management, intends to issue 12.1m shares, valued at nearly \$353m, to regain full ownership of Chemical Waste Management in a tax-free transaction.

Chemical Waste Management shares were up 4% at \$8.6m at mid-session in New York yesterday, while WMX Technologies were unchanged at \$2.5%.

WMX already owns 7.6 per cent of Chemical Waste's outstanding shares and intends to exchange 0.27 of its own shares for each one share of Chemical Waste's common stock it does not own. Chemical Waste's public shareholders need to approve the transaction.

## Credit Suisse falls 27% to SFr1.8bn

By Ian Rodger in Zurich

Credit Suisse, flagship bank of the CS Holding financial services group, has kicked off the big Swiss banks' interim result season with a disappointing 27 per cent fall in pre-tax profits to SFr1.76bn (\$1.3bn).

A 30 per cent decline in income from trading in SFr1.94bn was accompanied by a 16 per cent drop in net interest income to SFr1.29bn. Of the bank's three main sources of earnings, only commission business showed growth, advancing 10 per cent to SFr1.35bn.

The bank said income from foreign exchange, precious metals and banking trading in the first half remained only slightly below last year's level, but the slump in international

slightly down on the result in the comparative period due to a less acute need for provisions for bad loans.

Of the big three Swiss banks Credit Suisse is known as the most dependent on trading of foreign exchange, precious metals, interest rate instruments and securities.

Last year with all markets rising, this was the bank's largest source of income, accounting for 37 per cent of total revenue.

The bank said income from metal and banking trading in the first half remained only slightly below last year's level, but the slump in international

stock and bond markets hit hard.

The decline in net interest income was attributed to narrower interest rate margins, especially in the banking and to stagnant lending volumes.

Credit Suisse said interest margins were extraordinarily high in the first half of 1993.

The June 30 balance sheet showed a SFr2.6bn decline in lendings to SFr120.3bn since the end of 1993, but the bank said this was due to the weakness of the US dollar.

The contribution from Credit Suisse Financial Products, the bank's 50 per cent-owned derivatives house, "matched last

year's extremely good results".

But earnings of Swiss Volksbank, acquired last year by CS Holding and now consolidated with Credit Suisse, "are not yet satisfactory".

• Vontobel, the Zurich-based private banking and asset management group, reporting interim figures for the first time, posted net income of SFr19.8m in the first six months of 1994.

No comparative figures were given. In the full year 1993, the group had net income of SFr40.1m.

The group said it suffered a loss of SFr5.7m on trading of its own securities holdings in the first half.

## Hazardous waste charge dents Aetna

By Richard Waters

Expected liabilities from the clean-up of hazardous waste sites pushed net income at Aetna, the US insurance group, down 8 per cent in its latest quarter, compared with a year before.

Concern that the company may harbour other pollution-related liabilities pushed Aetna's share price down 3.4%, or nearly 7 per cent, to \$51.40 during morning trading in New York. Uncertainty about the scale of environmental clean-up costs remains the biggest concern overhanging the US property-casualty insurance industry.

The Connecticut-based company said in the three months to the end of June it had set aside additional reserves to cover environmental indemnity claims, resulting in an after-tax charge of \$64m.

The unexpected charge led to a \$32m operating loss in Aetna's second largest CA, Austria's second largest bank, said it expected an improvement in second-half trading and net interest income, but forecast pre-tax profit for the full year would be lower than last year's record Schs4.6bn. However, it was confident that net income would be higher as a result of lower provisions for bad loans.

## Austrian bank hit by trading income drop

By Ian Rodger

Creditanstalt Bankverein (CA), the Austrian bank in the midst of privatisation negotiations, has reported a 17 per cent decline in pre-tax profits in the first half to Sch1.9bn (\$165m) due to a steep fall in trading income.

Meanwhile, the Austrian finance ministry has decided to commission an investigation to evaluate bids by CS Holding of Switzerland and a consortium of Austrian, Italian and German investors for a large portion of the government's 70 per cent voting stake in CA.

A decision is expected after the Austrian general elections on October 9.

CA, Austria's second largest bank, said it expected an improvement in second-half trading and net interest income, but forecast pre-tax profit for the full year would be lower than last year's record Schs4.6bn. However, it was confident that net income would be higher as a result of lower provisions for bad loans.

Precise consolidated results were not available, but CA said its group pre-tax profit was down 13 per cent to just over Sch2.6bn.

Guido Schmidt-Chiari: chief executive

profit, which excludes trading, was up 11.7 per cent to Sch1.35bn.

Mr Guido Schmidt-Chiari, chief executive, said provisions in the first half were less than Sch1.5bn compared with Sch3.8bn in the whole of last year. Total assets at the end of June at Sch573.4bn were only 2 per cent higher than at the end of 1993.

Precise consolidated results were not available, but CA said its group pre-tax profit was down 13 per cent to just over Sch2.6bn.

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FINANCIAL TIMES

LONDON PARIS FRANKFURT NEW YORK TOKYO



## WEEK IN THE MARKETS

### Copper leads rally at LME

The London Metal Exchange copper market ended the week in a more constructive mood as speculative buying repaired some of the damage done by recent heavy selling.

US investment funds were again the driving force behind a \$100-plus plunge that took the three months delivery price below \$2,400 a tonne at one point on Wednesday. The later recovery, which was capped by resistance at \$2,450, left the price \$72 down on the week at \$2,429.50 a tonne. Dealers told the Reuters news agency that this reflected an "unsurprising" technical correction.

**LME WAREHOUSE STOCKS**  
(As at Thursday's close)  
tonnes

Aluminium	-16,325	to 23,320,950
Aluminium alloy	-225	to 26,590
Copper	-1,075	to 33,625,925
Nickel	-394	to 33,625,925
Zinc	+1,920	to 1,211,075
Tin	-110	to 30,880

## MARKETS REPORT

**Futures plunge**

Fears of an imminent rise in UK base rates caused panic selling of short sterling futures yesterday, writes Philip Gunton.

Massive volumes were traded and prices moved were also exceptionally large. The December contract traded nearly 110,000 lots and there was 48 basis point spread between the high and the low prices for the day.

The December contract settled at 93.27, suggesting the market believes interest rates will rise by 1.5 percentage points by the end of the year.

These developments overshadowed the release of the US 2nd quarter GDP figure, which rose by 3.7 per cent. This was below market expectations and this took some of the sheen off the dollar which had risen above Y100 on Thursday evening for the first time in a month.

The dollar finished in London at Y100.175, down from a

high for the day of Y100.57. Against the D-Mark it finished at DM1.5988, off a high of DM1.5985 before the GDP release.

The prospect of higher interest rates bolstered sterling which rose more than two pence on the day to finish in London at DM2.4113 from DM2.4195. It was also 4 cent firmer against the dollar, closing at \$1.5866 from \$1.5819.

Source: FT Graphics

**■ POUND IN NEW YORK**

Jul 29  
Open 1.5465  
High 1.5391  
Low 1.5321  
Close 1.5245  
Change -0.0224  
Perc. chg. -1.45%

■ The market's problems arose from confusing interest rate signals emanating from the Bank of England. In its weekly Treasury bill operations, the Bank accepted a highest bid of 5.7588 per cent - ½ per cent above the current base rate, and around ¾ of a

percentage point up on the week.

This led the market to believe that the Bank of England was signalling an imminent tightening of policy.

In its daily operations, however, the Bank provided assistance at the established rate of 5½ per cent. This left the market totally confused as to what the Bank was trying to tell it.

The net effect of yesterday's transactions is that the Bank has borrowed money at 5.75 per cent and lent it at 5½ per cent. This is an untenable situ-

ation beyond the very short term, and either market rates will have to drop back towards the Bank rate, or it will have to be raised.

Analysts were split as to whether the Bank was trying to signal higher rates, or had made a mess of the Treasury bill tender by not realising the confusion it would create by accepting a 5.75 per cent rate.

Although later bank rates had climbed sharply during the days following the CBI survey, and a buoyant purchasing managers index yesterday, the

Bank's hands were not tied. It could either have pulled the punch, as it has done in the past, or intervened on its own account to knock out the highest bids.

Traders in the futures market said the market went "absolutely ballistic". Trading conditions were "right up there with the ERM chaos" said one dealer.

Sterling rose on hopes of higher rates, but analysts warned that it was vulnerable to a heavy sell-off next week should the Bank disappoint the

market by not tightening policy.

Not only would rates be lower than expected, but the Bank's credibility would be damaged. Similar confusion in February about the handling of a base rate rise led to heavy selling of sterling.

**■ OTHER CURRENCIES**

Jul 29  
Open £  
High 1.1579  
Low 1.1564  
Close 1.1564  
Change -0.0015  
Perc. chg. -0.13%

**DOLLAR SPOT FORWARD AGAINST THE POUND**

Jul 29  
Open 1.2090  
High 1.2090  
Low 1.2080  
Close 1.2080  
Change -0.0010  
Perc. chg. -0.80%

Source: FT Graphics

**DOLLAR SPOT FORWARD AGAINST THE DOLLAR**

Jul 29  
Open \$  
High 1.2175  
Low 1.2165  
Close 1.2165  
Change -0.0010  
Perc. chg. -0.80%

Source: FT Graphics

**MONEY MARKET FUNDS**

	Gross	Net	Days	Inc/Ch
Caiffs & Co	971-733 1008			
40 St James' Lane, London WC1				
10 London Street, London EC2N 5AU				
Home negotiable up to 1-475				
CAF Money Market Fund (LICP) 776				
£100,000 - 100,000+	3.09	3.75	5.00	-1.00
£20,000 - 20,000+	3.09	3.75	5.00	-1.00
£10,000 - 10,000+	3.09	3.75	5.00	-1.00
£5,000 - 5,000+	3.09	3.75	5.00	-1.00
Deposits over £1 million	3.09	3.75	5.00	-1.00
Deposits over £2 million	3.09	3.75	5.00	-1.00
The CAF Portfolio Deposit Account				
Deposits over £1 million	3.09	3.75	5.00	-1.00
Deposits over £2 million	3.09	3.75	5.00	-1.00
Deposits over £5 million	3.09	3.75	5.00	-1.00
Deposits over £10 million	3.09	3.75	5.00	-1.00
Deposits over £20 million	3.09	3.75	5.00	-1.00
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Deposits over £200 million	3.09	3.75	5.00	-1.00
Deposits over £500 million	3.09	3.75	5.00	-1.00
Deposits over £1 billion	3.09	3.75	5.00	-1.00
Deposits over £2 billion	3.09	3.75	5.00	-1.00
Deposits over £5 billion	3.09	3.75	5.00	-1.00
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Deposits over £1 trillion	3.09	3.75	5.00	-1.00
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## LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talieman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 55(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

### British Funds, etc

Treasury 13% Stk 2000/03 - £125/4

Bond 10% Stk 2005 - £114/2

(27/4/94)

### Corporation and County Stocks

London County 2½% Cons Stk 1920/after - £26

Birmingham (District Council) 11½% Red Stk 2000 - £125/4 (27/4/94)

Glasgow Corp 3½% Ind Stk - £23

Hull Corp 3½% Ind Stk - £24

Leeds Corp 13½% Ind Stk 2000 - £130/4

(27/4/94)

Liverpool Corp 2½% Ind Stk 2000 - £130/4

(27/4/94)

Manchester Corp 2½% Ind Stk 2000 - £125/4

(27/4/94)

Newcastle Upon Tyne (City of) 11½% Red Stk 2017 - £114/2

Nottingham Corp 3½% Ind Stk 1920/after - £21

(27/4/94)

Reading Corp 3½% Ind Stk - £27 (27/4/94)

### Commonwealth-Government

South Australian 5½ Cons Stk 1916/after - £26

### Foreign Stocks, Bonds, etc (coupons payable in London)

Abey National Starling Capital PLC 1½%

Abey National 2004/05 - £104/4

Abey National 2004/05 - £104/4

Gilt Nts 1993 (Br Var) - £26/4

Abey National Treasury Servs PLC 8% Gilt

Bonds 2003 (Br Var) - £26/4

Abey National 2004/05 - £104/4

Gilt Nts 1997 (Br Var) - £105/5

(27/4/94)

Ace Incorporated 4½% Ind Stk 1900/0000 - £104/4

(27/4/94)

Afia Finance 10½% Cov Cap

Bds 2000/01 - £500/0000 - £107

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £124/4

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £125/4

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £126/4

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Barclays Corp 5½% Ind Stk 1900/0000 - £166/4

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Barclays Corp 5½% Ind Stk 1900/0000 - £167/4

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Barclays Corp 5½% Ind Stk 1900/0000 - £168/4

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Barclays Corp 5½% Ind Stk 1900/0000 - £169/4

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £170/4

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £171/4

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £172/4

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £173/4

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £174/4

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £175/4

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £176/4

(27/4/94)

Barclays Corp 5½% Ind Stk 1900/0000 - £177/4

(27/4/94)





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## **WORLD STOCK MARKETS**

**INDICES**

	Jul 23	Jul 28	Jul 27	High	1994	
				Low		
<b>Argentina</b>						
General (29/12/97)	14 19326.40	19398.59	25470.48	16/2	17756.98 30/4	
<b>Australia</b>						
All Ordinaries(1/1/80)	2081.5	2042.1	2041.7	2301.88	3/2	1857.40 27/6
All Mining(1/1/80)	1020.2	1012.1	1012.8	1136.10	3/2	804.60 5/5
<b>Austria</b>						
Credit Aktien(20/12/94)	410.28	411.87	413.26	480.66	2/2	388.87 22/6
Tradex Index(2/1/91)	1077.70	1077.87	1081.85	1222.23	1/2	1011.38 8/6
<b>Belgium</b>						
BSE 20 (1/1/91)	1461.03	1451.44	1460.52	1542.85	6/2	1383.98 13/7
<b>Brazil</b>						
Bovespa (23/12/93)	64 42554.0	41501.8	42554.00	29/7	3688.90 3/1	
<b>Canada</b>						
Metal Marks+(1975)	14 3304.61	3780.16	3873.59	18/3	3294.08 20/4	
Composite+(1979)	14 4148.80	4134.01	4688.98	23/3	3658.80 24/6	
Portfolio 55 (4/1/93)	14 1950.81	1958.11	2102.89	1/2	1623.17 20/7	
<b>Chile</b>						
IGSA Gen (21/12/93)	14 4263.4	4258.5	4867.80	4/2	3981.28 4/4	
<b>Denmark</b>						
CopenhagenSE(3/1/93)	377.83	375.57	376.37	415.78	2/2	358.88 22/6
<b>Finland</b>						
HEX General(20/12/90)	1545.8	1539.4	1598.8	1972.00	4/2	1601.10 3/1
<b>France</b>						
SBF 250 (3/1/12/90)	1381.18	1367.47	1370.32	1985.20	2/2	1265.26 4/7
CAC 40(31/12/87)	2074.99	2053.43	2055.68	2355.83	3/2	1891.58 4/7
<b>Germany</b>						
FAZ Aktien(11/12/98)	810.55	805.03	811.22	888.27	18/5	757.41 27/6
Commerzbank(1/1/2000)	2308.8	2291.1	2307.8	2465.58	2/5	2148.30 27/6
DAX (30/12/97)†	2148.84	2122.81	2140.44	2271.31	1/6	1995.82 20/6
<b>Greece</b>						
Athens SE(1/1/90)	845.83	842.84	846.30	1194.58	18/1	808.67 25/5
<b>Hong Kong</b>						
Hong KongS(31/7/94)	9482.81	9402.66	9402.18	12201.09	4/1	8388.44 4/5
<b>India</b>						
BSE Sense(1979)	4191.3	4108.9	4101.2	4332.90	20/6	3434.00 5/1
<b>Indonesia</b>						
Jakarta Comp.(10/8/82)	451.08	452.97	451.37	612.89	5/1	449.72 12/7
<b>Ireland</b>						
ISEO Overall(4/1/98)	1814.00	1800.21	1804.27	2082.16	20/1	1694.14 1/7
<b>Italy</b>						
Banca Comer Ital (1972)	703.70	688.03	685.03	877.17	10/5	588.95 10/1
MIB General(4/1/94)	1148.0	1124.0	1122.0	1378.00	10/5	944.08 10/1
<b>Japan</b>						
Nikkei 225 (10/5/93)	20449.39	20247.85	20137.23	21552.81	13/6	17359.74 4/1
Nikkei 300 (1/10/82)	287.16	254.33	252.81	317.17	1/6	288.22 4/1
Topix (4/1/88)	1837.41	1821.45	1615.82	7712.73	13/6	1468.97 4/1
2nd Section (4/1/88)	2444.51	2428.92	2441.17	2526.87	5/7	1973.33 4/1

\* Set July 23; Taiwan Weighted Price 8556.23; Korea Comp Ex 950.58. Base values of all indices are 100 except: Australia All Ordinaries - 500; Austria Traded BEL20; HXG Gen.; MIB Gen.; S&P500; CAC40; Euro Top-100; ISEO Overall; Toronto Compo/Metal Index - 100.

<sup>a</sup> Correction. \* Calculated at 15.00 GMT. @ Excluding bonds. † Industrial, plus Utilities, Financial and Transportation.

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## AMERICA

# GDP details prompt strong rally in Dow

### Wall Street

US stocks rallied yesterday morning after the Commerce Department announced that the economy had grown at a slower rate than expected during the second quarter, writes Frank McCourt in New York.

By 1pm, the Dow Jones Industrial Average was 32.05 higher at 3,762.88, climbing to its highest level since June 17. The more broadly based Standard & Poor's 500 was 4.76 ahead at 458.00, as advancing issues on the Big Board swamped declines by a three-to-one margin. Activity was brisk, with 178m shares traded on the NYSE, up 4.9m after LTV.



Source: FT Graphics

In the secondary markets, the American SE composite was up 3.15 at 437.03, and the Nasdaq composite surged 8.73 to 721.16.

At the opening, stocks were fast off the mark and they gathered pace as the morning progressed. Investors were relieved by the earlier announcement that gross domestic product in the second three months of year had grown at a rate of 3.7 per cent, slightly less than economists had forecast.

The news deflated growing concern over the potential of a stronger-than-expected reading to damage share prices. Amid the relief, analysts began to re-evaluate the strength of the economy going into the third quarter, and the prospects for an early move by the Federal Reserve to lift interest rates again.

The strategic thinking in the US Treasury market followed the same path. By midday, prices on the benchmark 30-year security had surged by one and a half points and the yield plunged below 7.40 per cent as traders rushed in to cover their bets that the GDP would exceed expectations.

Amid the fanfare, bearish data from Chicago purchasing managers, suggesting higher price pressures in the manufacturing sector, was largely ignored.

With fears over rates put

aside, at least temporarily, stocks which are most sensitive to broad economic trends advanced. Among the Dow industrials, Caterpillar climbed 1.1% to \$103.6, International Paper gained 1.6% to \$72.4, and Alcoa added 1.1% to \$78.4. DuPont, however, slipped 0.4% to \$59.4.

The improving fundamental outlook gave a lift to semiconductor stocks, too. Texas Instruments jumped 3.7% to \$78.9. Micron Technology gained 3.2% to \$77.6 and Applied Materials added 2.4% to \$45.4.

But technology stocks across the board improved, with Apple up 1.1% to \$33.5 and Microsoft 1.1% ahead to \$37.4.

Earnings news continued to trickle into Wall Street LTV, a leading steel maker, was marked up 3.1% to \$18.1% after posting net income of 40 cents a share, nearly double the consensus forecast. Inland Steel pushed 5.1% ahead to \$38. The gains followed JP Morgan's recommendation to buy steel issues because of an expected price increase from Chrysler.

On the Nasdaq, Thursday's speculation about a possible takeover of Intergroup Healthcare proved to be prescient, as Foundation Health agreed to buy the company through a \$750m stock swap. Shares in Intergroup surged a further 10% to \$37.4, adding 51 per cent to their value in two sessions. Foundation dropped 3% to \$32.

### Tokyo

Buying by public funds supported share prices and the Nikkei average, which has been depressed by overseas selling, erased most of the week's losses, writes Emiko Terazono in Tokyo.

The Nikkei 225 index rose 20.24 to 20,449.39, marginally lower than last Friday's close of 20,462.89.

The index fell to a day's low of 20,318.16 in the early afternoon before rising above the 20,500 level for the first time in a week to 20,517.10, the day's peak.

The fall in the yen against the dollar encouraged dealers and individual investors, while public fund managers were seen buying export-oriented stocks in the afternoon. But volume totalled 27.3m shares against 28.6m.

The Topix index of all first section stocks rose 1.95 to 1,671.41, while the Nikkei 300 gained 2.88 to 297.15.

Gainers led losers by 799 to 159 with 158 issues remaining unchanged.

In London, the ISE/Nikkei 50 index rose 7.64 to 1,333.79.

Traders said investor confidence had improved as the Nikkei has remained above the 20,000 level.

However, trading was expected to stay within a narrow range next week as most market participants are reluctant to buy stocks aggressively at higher levels.

Export-oriented stocks, which had been hit by selling from overseas investors, gained ground. Toshiba, the most active issue of the day, rose 6.2% to Y733 and Hitachi Y13 to Y655.

Nissan Motor rose 2.22 to 27.70 and precision machinery companies also improved, with Canon up 1.10 to Y1,710 and Sanyo adding Y10 to Y325.

Rengro shed 50 cents to 23.54 and Barlow made 25 cents to 23.44 in a late rally. Lourib picked up 30 cents of Thursday's losses to Y35.76.

In Osaka, the OSE average rose 23.63 to 72,734.49 in volume of 14.4m shares.

On the week, fund buyers had

### EUROPE

# Dollar strength gives support to the continent

### FT-SE Actuaries Share Indices

	July 28	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1367.75	1371.45	1382.32	1384.09	1384.21	1387.18	1386.39	1387.56	
FT-SE Eurotrack 200	1418.13	1414.55	1418.65	1418.65	1418.65	1420.15	1421.55	1421.51	1421.51
FT-SE 300	1428.27	1430.20	1431.25	1431.25	1431.25	1431.25	1431.25	1431.25	1431.25
FT-SE Eurotrack 1000	1372.12	1370.05	1371.70	1384.03	1387.40				
FT-SE Eurotrack 2000	1408.85	1420.28	1421.35	1421.35	1421.35	1424.28	1424.28	1424.28	
FT-SE 3000	1381.00	1384.00	1384.00	1384.00	1384.00	1384.00	1384.00	1384.00	1384.00

The US played a major factor in lifting sentiment across the continent yesterday.

FRANKFURT closed the official session with a 1 per cent gain in the Dax index, but was barely changed on the week. The index ended up 2.83% at 2,465.16. In the after-market the Dax moved ahead to 2,482.10.

There have been additions to those brokers turning positive on the German market. Mr Eckhard Frahm of Merck Finck is hopeful of a summer rally, noting that the market made a 6 per cent gain during July, while Benson Jackson looks at the end of the year at 4 per cent by the data Goldman Sachs said that the first half figures were better than expected and highlighted the positive performance in its home market and joint ventures abroad while there appeared to be a fundamental review taking place of Pirelli's prospects, which included its commanding position in the fast-growing Brazilian market.

MILAN found some reassurance in the day's political developments and shares recouped part of the sharp losses seen earlier in the week.

The announcement that Mr Silvio Berlusconi, the prime minister, planned to separate his political and business roles, together with news that his brother had turned himself in to magistrates both helped to calm the nervous market. The Comit index rose 13.97 or 2 per cent to 705.76, but was still 2.9 per cent lower on the day and 1.6 per cent on the week.

Industrial stocks led a broad-based upswing, with Fiat adding 1.50 to 1,694.00 and Pirelli adding 1.80 to 1,285.50.

Mr Nicholas Potter at Cre-

dito Italiano International commented that Fiat was benefiting from its positive performance in its home market and joint ventures abroad while there appeared to be a fundamental review taking place of Pirelli's prospects, which included its commanding position in the fast-growing Brazilian market.

"The strong performance of corporate Italy is a welcome diversion from the market turbulence seen this week, which clearly came about through pharmaceutical growth, significant restructuring benefits, potential synergies with Hoechst, the parent company, strong financials and considerable overall scope for margin expansion."

Eurotunnel rose FFr1.35 to FFr26.95, with some unconfirmed reports suggesting that a limited and restricted allocation passenger service might start later in the summer.

ZURICH was helped ahead by the firm dollar and prices received a further boost on

the afternoon from the positive reaction of US markets to the day's GDP figures. The SMI index rose 30.3 to 2,779.5, but was 0.7 per cent lower on the week.

Investors continued to display a cautious approach to the banks, ahead of half year details from Credit Suisse which came after the market had closed. CS Holding bearers, however, still added SF16 to SF17.61 while UBS, reporting half year figures next week, also rose SF16 to SF17.61.

Roche certificates picked up SF17.30 of recent losses to SF17.32.

Cyclicals put in a strong performance with Brown Boveri adding SF18 to SF18.23, Sulzer putting on SF11 to SF11.65 and Alusuisse rising SF17.20.

Stockholm was lifted by declining interest rates and confidence on the outlook for corporate earnings. The Aktie världen General index rose 1.1 per cent to 1,164.2, little changed on the week.

Vovo was a favourite among investors, up SKR15 to SKR16.

MADRID posted a 1.3 per cent rise with the lower than expected US GDP data bringing a rush of demand during the afternoon. The general index rose 4.16 to 313.70 in solid turnover of Pta29.7bn.

Electrical stocks were the strongest sector with Endesa rising 3 per cent to Pta61.30.

Written and edited by John Pitt and Michael Morgan

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### ASIA PACIFIC

# Renewed buying helps Nikkei erase week's losses

### Tokyo

Buying by public funds supported share prices and the Nikkei average, which has been depressed by overseas selling, erased most of the week's losses, writes Emiko Terazono in Tokyo.

The Nikkei 225 index rose 20.24 to 20,449.39, marginally lower than last Friday's close of 20,462.89.

The index fell to a day's low of 20,318.16 in the early afternoon before rising above the 20,500 level for the first time in a week to 20,517.10, the day's peak.

The fall in the yen against the dollar encouraged dealers and individual investors, while public fund managers were seen buying export-oriented stocks in the afternoon. But volume totalled 27.3m shares against 28.6m.

Leading computer makers Microtek International and First International Computer both rose by the daily limit, gaining seven per cent each, to 24.22 and HK\$30.50 and Sun Hung Kai Properties climbing 6% to HK\$30.25. But the real estate investor, Hong Kong Land, was a target of profit-taking, losing 15 cents to HK\$20.50.

KUALA LUMPUR overcame a round of profit-taking and continued its advance for the sixth straight day.

Plastic stocks were strong on expectations of continuing international demand for petrochemicals, with Taiwan Styrene Monomer gaining 7% to T\$3.60.

The composite index closed 1.21 higher to 1,027.51, taking the week's rise to 2.7 per cent.

Volume swelled to 215m shares from Thursday's 185m, boosted by a lower-than-expected inflation figure for June and overnight gains in Wall Street.

Pan Malaysia Cement jumped 76 cents to M\$35.60 after its announcement of a two-month bonus issue.

SEORALI finished higher after an afternoon lull, led by gains in several blue chips and banking issues and the composite index closed 7.45 higher at 933.65, 0.6 per cent down on the week.

Posco and Samsung Electronics were both up, adding Won25,000 each to Won73,400

pushed the index to a high of 9,525 before profits were taken.

Preliminary turnover dropped sharply to HK\$14.26m from Thursday's HK\$14.26m.

Among blue chips, HSBC rose HK\$1.25 to HK\$93.00 and Swire Pacific gained HK\$1.75 to HK\$63.50.

Property developers also performed well with Cheung Kong advancing 60 cents to HK\$37.90 and Sun Hung Kai Properties climbing 6% to HK\$30.25. But the real estate investor, Hong Kong Land, was a target of profit-taking, losing 15 cents to HK\$20.50.

LEADER was up 1.7% to 1,024.22, with the daily limit, to 1,025.00.

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**LONDON SHARE SERVICE**

BANKS

		+/-	1994	1993	%	YTD	P/E	Notes
ABN Amro Pl.	MES	Pro Forma	-	169	169	Coastal	6.1	ACA Skv
ABX AS		1993	-	255	255	Coastal	6.0	Abax Pl
Abtary National		1993	-	276	276	Alcatel Cables	4.9	Alcatel Cables
Aclad Iris E.		1993	-	523	523	Amcor Ind	4.4	Amcor Ind
Anglo Irish E.		1993	-	214	214	Anglo Irish	5.7	Anglo Irish
Asahi Y.		1993	-	59	59	Anglo Irish	7.7	Anglo Irish
Barclays		789	-1%	819	628	Anglo Irish	10.2	Anglo Irish
Barclays 2d Pl. Pta		216	-2%	217	214	Anglo Irish	6.8	BTB
Barco Sant. Pla		227	-2%	226	224	Bayer DM	5.7	Bayer DM
Bk Ireland E.		277	-2%	318	246	Brent	10.9	Brent
Bank Scotland		185	+1%	207	172	British Vita	3.4	British Vita
Blipac Pl.		715	-1%	1412	114	Cambridge Int'l	15.1	Cambridge Int'l
Blipac Pl.		715	-1%	1482	1195	Canning (W)	10.2	Canning (W)
Barclays		120	-1%	121	119	Carrollton	10.2	Carrollton
Dai Ichi Kan Y.		312	-1%	324	308	Cartwright	6.0	Cartwright
Deutsche DM		2200	-1%	2344	2270	Catwalk	12.9	Catwalk
Espiflora Santo		5163	-1%	5261	5011	Cards	4.6	Cards
Frost Nat Fin.		6265	-1%	6265	6265	Deafstar	6.6	Deafstar
G-366 Cr Pl.		783	-1%	801	777	England S.	8.1	England S.
776 Crv Pl.		12723	-1%	12723	12623	European Colour	10.0	European Colour
Fujitsu Com'7		1471	-1%	1569	1152	Fiducial	6.9	Fiducial
HSCB HK		785	-1%	1133	680	Gibson	2.4	Gibson
HSCB (75 Shd) HK		774	-1%	1173	680	Global 75	11.4	Hickson
Loyalty - Pl.		544	-1%	660	510	Global 75	5.2	Hickson
MassMutual Y.		577	-1%	1913	515	Goldman	3.0	Goldman
Mitsui T& Co Bk Y.		1042	-1%	1162	627	Goldman	10.0	Goldman
Mitsui T& Co Bk Y.		7593	-1%	879	514	Holiday Chemical	16.5	Holiday Chemical
Nat Aust AS		527	-1%	620	484	IDC	1.0	IDC
Northwest		448	-1%	523	421	Indep. Insur.	10.9	Indep. Insur.
Ottomania Pl.		521	-1%	523	421	Kelco	10.9	Kelco
Plk Cr Standard & TM		395	-1%	424	377	Larco	10.2	Larco
Sakura Y.		591	-1%	592	526	MTM	2.0	MTM
Savills		714	-1%	735	612	Mondex	19.7	Mondex
Standard Grand		284	-1%	350	223	Paragon Str	30.0	Paragon Str
7 3/8% Prf.		92	-1%	1082	804	Parfleur	2.8	Parfleur
Suntomono Y.		917	-1%	1162	812	Scapa	27.5	Scapa
Suntomono 1st 7		907	-1%	1149	812	Surdaya	10.0	Surdaya
TSE		101	-1%	251	197	Swisslife	3.0	Swisslife
Total Y.		1215	-1%	1313	1123	Whitbread	8.7	Whitbread
Toyo Tel & Bl. 7		773	-1%	852	584	Yule Catto	6.7	Yule Catto
Waspan AS		225	-1%	260	194	Yule Catto	2.4	Yule Catto
Vasada 1st Bl 7		598	-1%	593	442	Zeta	51.6	Zeta

#### **DISTRIBUTORS**

BREWERYES										Notes	
	Notes	Price	+ or -	1994	Mkt	Yld	ABV	Led	5-Yr Chg		
				high	low	Capacity	Gr's	PVE			
Acad. Ridge		44		169	147	15.5	14.8	A&B	-5.7%		
Bass		71		264	145	15.5	14.8	Acid	+2.1%		
Boddingtons		271		516	260	26.2	4.7	Adam & Harvey	-4.4%		
Burnhammed		1755		160	160	28.4	3.7	African Lagers	+4.1%		
Ebridge, Pope A.	-2.7%	148		187	142	28.4	3.1	Alexander	+2.4%		
Fosters AS		24		187	142	28.4	3.1	Appleton	+4.4%		
Foster STA		45		405	248	51.0	8.5	Art Br Eng	+3.0%		
Gadsby M&S		455		623	373	59.7	23	ASIS	+4.4%		
Great British		11		371	371	59.7	23	Bravery	+7.4%		
Greatful King		45		584	482	882.6	3.7	Bearings Power	+4.4%		
Grovesnor Arms		244		165	124	19.6	4.1	Bleasday	+4.4%		
Hall		140		260	215	20.5	4.1	Boag A	+4.4%		
King V		805		844	574	35.7	1.7	Brammer	+4.4%		
Manfield		277		246	155	129.1	6.3	Bridgeman	+4.4%		
Merton Thorpe		2746		302	258	244.7	2.7	Brett Fergies	+2.5%		
Morland		500		546	453	10.0	25.7	Brewers	+4.4%		
Paramount	-30%	81-121		101	81	18.4	22	Burdens	+4.4%		
Regent Inn		228		257	236	23.6	2.2	Cadbury	+4.4%		
Scott & N		5274		397	453	2,803	4.5	Cashel	+4.4%		
United Breweries		3		0	0	0	0	Centerville	+4.4%		
Vaux		87		368	229	340.8	4.9	Central Motor	+4.4%		
Watersons LTD		370		1,024	521	44.7	2.9	Charles Shiner	+4.4%		
Whitbread		5291		817	494	2,761	4.4	Cook (DC)	+4.4%		
Wolf & Dudley	-11%	827		589	403	340.4	3.1	Cookson	+4.4%		
Young A		500		525	453	145	3.2	Craigellachie	+4.4%		
N.V.		493		465	423	24.4	4.4	Davenport Venmen	+4.4%		
								Dermians	+4.4%		

BUILDING & CONSTRUCTION

## **BUILDING MATE & MERCHANTS**

BUILDING MATER. & MERCHANTS									
Notes	Price	+	Gr	1984	Mkt	Yds	P/E	Notes	Notes
Albrighton	£160	-	-	186	160	673	20	Porter Construction	£160
Ametropic	£11	-	-	319	227	17	20	Power Delivery	£160
Amberley	£14	-	-	500	263	98.5	17.8	Powergen	£160
Anglian Grp.	£14	-	-	228d	434	22.8	24	Shire Derby MS	£160
Atkins	£11	-	-	121	221	156.2	51.2	Stanley Indo.	£160
BMS	£14	-	-	151	121	4.57	6.8	Sugar	£160
SPS	£14	-	-	322d	165	13.9	48.2	Warrington	£160
Baggeridge	£14	-	-	132d	363	274	2.5	17 Group	£160
Barclay	£11	-	-	42	142	92	2.5	84-pc Cn Pt	£160
Bartsford Ind.	£14	-	-	217	50	222.6	6.8	84-pc Cr Pt	£160
Blockley's	£14	-	-	70	244	125	32.4	Trident Gas	£160
Blue Circle	£14	-	-	218	361	262	2.5	Underline	£160
7-pc Cr Pt	£14	-	-	160d	144	178.4	5.7	Whiteman	£160
Brecon	£14	-	-	117	17	263	53	Widney	£160
Brd Dredging	£14	-	-	78	154	342.2	55	Williams	£160
CAMAS	£14	-	-	14	54	247.0	37.5	Wills	£160
CHIE	£14	-	-	256	341	252.2	12.5	Sp Cr Pt	£160
CSR AS	£14	-	-	71	71	24.2	-		
Cavendish Rob A.	£14	-	-	70	31	1.5	-		
Cape	£14	-	-	260	234	17.9	5.3		
Carlton	£14	-	-	206	188	17.8	22.0		
Chelmsford	£14	-	-	146	136	1.5	-		
Dyson (J. B.)	£14	-	-	121	17	195	11.4		
Eclipse Blinds	£14	-	-	11	55	437	14.4	China Light HK\$	£160
Ernest	£14	-	-	15	51	195	14.6	City Midlands	£160
Ewen	£14	-	-	70	14	236	8.8	Eastern	£160
Finn	£14	-	-	52	27	6.8	5.0	London	£160
Forreston UN	£14	-	-	41	57	21.7	10.5	Midlands	£160
Gibson & Dandy	£14	-	-	74	70	4.88	11.5	Merseyside	£160
Grafton 12	£14	-	-	246	238	353	27	National Power	£160
Grimal Group	£14	-	-	201	216	224.4	22.1	Northern	£160
Hastings (L)	£14	-	-	385	337	175.8	22.5	North East	£160
Health (S)	£14	-	-	120	110	3.85	6.5	Scotland	£160
Holtex 12	£14	-	-	24	52	24.2	4.1	South Wales	£160
Hoggarth	£14	-	-	51	37	84.6	23	South Western	£160
Hawson	£14	-	-	74	48	53.3	15.5	South	£160
Hawths	£14	-	-	157	206	5.3	18.2	Southern	£160
Haywood Mill	£14	-	-	354	334	348.1	4.5	Wales	£160
Or Pl	£14	-	-	157	148	345	24.3		
Hockstock	£14	-	-	76	97	190.3	1.8		
Warrants	£14	-	-	21	9	9.2	-		
Johnstone	£14	-	-	229	229	30.8	0.9		
Kingspan E.	£14	-	-	146	149	36.8	2.4	ASEA B Stg	£160
Lafarge-Copp F/P	£14	-	-	182	145	97.8	2.4	Acorn Comp	£160
Latham (D)	£14	-	-	216	163	42.6	2.7	Albion	£160
Leitch	£14	-	-	178	145	42.3	27	Amersham	£160
Sp Cr Pt	£14	-	-	120	137	10.4	18.3	Angloelectric AW	£160
Metley	£14	-	-	146	128	67.2	3.2	Arden	£160
Neather	£14	-	-	118	121	11.8	18.2	Arcon (BSM)	£160
7-pc Cr Pt	£14	-	-	32	48	52.7	3.2	BBC	£160
Mayes	£14	-	-	125	125	22.5	4.0	Cap Pl 104-pc	£160
Meader	£14	-	-	33	48	33	2.4	Beddes Hutton	£160
Newman-Taylor	£14	-	-	153	146	16.8	22.5	Bentley	£160
Normics	£14	-	-	121	212	22.0	2.5	Bick	£160
Phoenix	£14	-	-	14	208	6.5	22.5	Bowthorpe	£160
Pilkington	£14	-	-	162	162	1.5	3.1	Bugle A.	£160
Warren	£14	-	-	100	64.4	78.0	19.1	Business Tech	£160
Polypipe	£14	-	-	145	125	235.5	1.8	CBG	£160
Qualitex	£14	-	-	30	15	3.8	21.5	CCG	£160
RAC	£14	-	-	120	120	245.0	5.1	Chemical	£160
Paragon	£14	-	-	46	23	505	2.0	Chelmsford	£160
Podsol	£14	-	-	146	46	2,797	5.7	Cheshire	£160
Reed	£14	-	-	188	70	14.2	23.4	Comptech	£160
Rescoast	£14	-	-	161	161	2.41	1.9	Croydon	£160
Rutherford	£14	-	-	212	123	8.3	8.7	Critchley Grp	£160
Rugby	£14	-	-	91	52	503.1	17.2	D-Group	£160
Russell	£14	-	-	28	171	204	2.5	Dental	£160
St Edwards F/P	£14	-	-	120	125	6.67	21	Dot Spect	£160
SWP	£14	-	-	91	55	5.51	25.2	Dental Box Spect	£160
Sharp & Partner	£14	-	-	145	125	34.1	12.5	Denstrel	£160
Show (A)	£14	-	-	14	12	5.51	28.0	Denstrel	£160
Streeter Industries	£14	-	-	199	155	5.58	4.5	Deserture A.	£160
Stringham	£14	-	-	58	53	2.2	21.3	Deserture B.	£160
Sycamore	£14	-	-	145	97	116.8	1.3	Dixie	£160
Tarmac	£14	-	-	226	125	1.38	4.5	Electrolyte B Stg	£160
Teal	£14	-	-	219	223	1.361	4.6	Emas	£160
Teal Parkins	£14	-	-	50	274	22.0	28.3	Europac (LM) Stg	£160
Tutor	£14	-	-	54	51	2.23	31	Eurospun	£160
Urgroup	£14	-	-	145	33	14.2	25.8	Earthmenn	£160
Universal Ceramic	£14	-	-	120	35	1.21	4.5	Fairplay	£160
Antipodes	£14	-	-	145	43	0.90	14.6	Forward	£160
Wardlow	£14	-	-	120	35	1.21	23.1	Forward Tech	£160

Sp Cv PT \_\_\_\_\_

Southern	340	6261	+1	728½	530	1,750	4.4
Yorkshire	340	6271	+1	729½	532	1,766	4.7

President A/HY  Arlen  Ames (SST)  T-  
23  24  25  26  27  28  29  30  31  32  33  34  35  36  37  38  39  40  41  42  43  44  45  46  47  48  49  50  51  52  53  54  55  56  57  58  59  60  61  62  63  64  65  66  67  68  69  70  71  72  73  74  75  76  77  78  79  80  81  82  83  84  85  86  87  88  89  90  91  92  93  94  95  96  97  98  99  100  101  102  103  104  105  106  107  108  109  110  111  112  113  114  115  116  117  118  119  120  121  122  123  124  125  126  127  128  129  130  131  132  133  134  135  136  137  138  139  140  141  142  143  144  145  146  147  148  149  150  151  152  153  154  155  156  157  158  159  160  161  162  163  164  165  166  167  168  169  170  171  172  173  174  175  176  177  178  179  180  181  182  183  184  185  186  187  188  189  190  191  192  193  194  195  196  197  198  199  200  201  202  203  204  205  206  207  208  209  210  211  212  213  214  215  216  217  218  219  220  221  222  223  224  225  226  227  228  229  230  231  232  233  234  235  236  237  238  239  240  241  242  243  244  245  246  247  248  249  250  251  252  253  254  255  256  257  258  259  260  261  262  263  264  265  266  267  268  269  270  271  272  273  274  275  276  277  278  279  280  281  282  283  284  285  286  287  288  289  290  291  292  293  294  295  296  297  298  299  300  301  302  303  304  305  306  307  308  309  310  311  312  313  314  315  316  317  318  319  320  321  322  323  324  325  326  327  328  329  330  331  332  333  334  335  336  337  338  339  340  341  342  343  344  345  346  347  348  349  350  351  352  353  354  355  356  357  358  359  360  361  362  363  364  365  366  367  368  369  370  371  372  373  374  375  376  377  378  379  380  381  382  383  384  385  386  387  388  389  390  391  392  393  394  395  396  397  398  399  400  401  402  403  404  405  406  407  408  409  410  411  412  413  414  415  416  417  418  419  420  421  422  423  424  425  426  427  428  429  430  431  432  433  434  435  436  437  438  439  440  441  442  443  444  445  446  447  448  449  450  451  452  453  454  455  456  457  458  459  460  461  462  463  464  465  466  467  468  469  470  471  472  473  474  475  476  477  478  479  480  481  482  483  484  485  486  487  488  489  490  491  492  493  494  495  496  497  498  499  500  501  502  503  504  505  506  507  508  509  510  511  512  513  514  515  516  517  518  519  520  521  522  523  524  525  526  527  528  529  530  531  532  533  534  535  536  537  538  539  540  541  542  543  544  545  546  547  548  549  550  551  552  553  554  555  556  557  558  559  560  561  562  563  564  565  566  567  568  569  570  571  572  573  574  575  576  577  578  579  580  581  582  583  584  585  586  587  588  589  590  591  592  593  594  595  596  597  598  599  600  601  602  603  604  605  606  607  608  609  610  611  612  613  614  615  616  617  618  619  620  621  622  623  624  625  626  627  628  629  630  631  632  633  634  635  636  637  638  639  640  641  642  643  644  645  646  647  648  649  650  651  652  653  654  655  656  657  658  659  660  661  662  663  664  665  666  667  668  669  670  671  672  673  674  675  676  677  678  679  680  681  682  683  684  685  686  687  688  689  690  691  692  693  694  695  696  697  698  699  700  701  702  703  704  705  706  707  708  709  710  711  712  713  714  715  716  717  718  719  720  721  722  723  724  725  726  727  728  729  730  731  732  733  734  735  736  737  738  739  740  741  742  743  744  745  746  747  748  749  750  751  752  753  754  755  756  757  758  759  760  761  762  763  764  765  766  767  768  769  770  771  772  773  774  775  776  777  778  779  780  781  782  783  784  785  786  787  788  789  790  791  792  793  794  795  796  797  798  799  800  801  802  803  804  805  806  807  808  809  810  811  812  813  814  815  816  817  818  819  820  821  822  823  824  825  826  827  828  829  830  831  832  833  834  835  836  837  838  839  840  841  842  843  844  845  846  847  848  849  850  851  852  853  854  855  856  857  858  859  860  861  862  863  864  865  866  867  868  869  870  871  872  873  874  875  876  877  878  879  880  881  882  883  884  885  886  887  888  889  890  891  892  893  894  895  896  897  898  899  900  901  902  903  904  905  906  907  908  909  910  911  912  913  914  915  916  917  918  919  920  921  922  923  924  925  926  927  928  929  930  931  932  933  934  935  936  937  938  939  940  941  942  943  944  945  946  947  948  949  950  951  952  953  954  955  956  957  958  959  960  961  962  963  964  965  966  967  968  969  970  971  972  973  974  975  976  977  978  979  980  981  982  983  984  985  986  987  988  989  990  991  992  993  994  995  996  997  998  999  1000

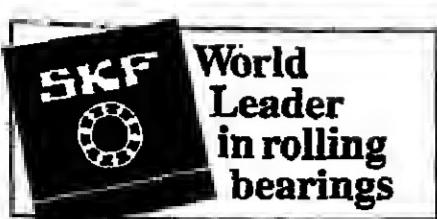
ELECTRONIC & ELECTRICAL ENGG - Cont.

## EXTRACTIVE INDUSTRIES

#### **HEALTH CARE - Cont.**

INVESTMENT TRUSTS - Cont.





# FINANCIAL TIMES

Weekend July 30/July 31 1994

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## Berlusconi moves to head off conflict of interest accusations

By Robert Graham in Rome

Mr Silvio Berlusconi yesterday announced the creation of a special commission to distance his business interests in the Fininvest media empire from his role as Italian prime minister.

The decision was taken without direct consultation with President Oscar Luigi Scalfaro, the president's office said last night.

It came just after Mr Berlusconi's younger brother, Paolo, surrendered to anti-corruption magistrates in Milan to answer charges of paying bribes to members of the Guardia di Finanza, the financial police.

Mr Berlusconi's move, designed to avoid an increasingly damaging conflict of interest that has undermined the credibility of his government, was greeted with

cautious relief by the financial markets. The lira strengthened marginally and rose above L1,000 to the D-Mark.

Outlining his initiative, a grim-faced Mr Berlusconi implicitly admitted he had underestimated the problems created by his ownership of Fininvest. Supporters and opponents agreed he had bought some breathing space for his embattled government.

Mr Gianfranco Fini, leader of the neo-fascist MSI/National Alliance, and a key partner in the rightwing coalition commented: "Mr Berlusconi's decision is wise and just, and makes things clear."

Under Mr Berlusconi's proposal, Mr Scalfaro - in conjunction with the speakers of the two houses of parliament - will nominate a five-person special com-

mission. The commission will include the head of the media watchdog body and the chairman of the anti-trust commission.

The new authority will monitor all potential conflicts of interest that might affect government business and the affairs of the Fininvest group. Italy's second-largest private holding with turnover of L11,600bn (£1.801bn) and net debts of L3,800bn in 1993.

The commission will supervise the activities of an administrator appointed by Mr Berlusconi, whose task will be to look after the prime minister's proprietary interests in Fininvest. This is a more restrictive approach than Mr Berlusconi expected.

Last night, Mr Paolo Berlusconi's lawyers were quoted by Ansa, the national news agency, as saying their client had admis-

ted paying L330m to the Guardia di Finanza over inspections of the balance sheets of three Fininvest companies. They insisted, however, he had been forced to pay by the police.

An arrest warrant was issued

for him on Tuesday. He handed himself in yesterday only after his lawyers had ensured he would avoid jail. Two others linked with Fininvest also surrendered themselves yesterday.

Mr Bettino Craxi, the former Socialist premier, was yesterday sentenced to 8½ years in jail for his part in the 1982 collapse of the Banco Ambrosiano. A similar sentence was handed out to Mr Claudio Martelli, the former Socialist justice minister and one-time heir to Mr Craxi. Since February Mr Craxi has been living in Tunisia.

## MMM fund cuts prices

Continued from Page 1

which they were reluctant to blame. Mr Mavrodi's statement referred to the "panic" created by the government a week ago, when it first issued warnings about the scheme. In the conditions created by the statements, "it is useless to continue buying shares back from the shareholders... it can only lead to the bankruptcy of the company," the statement said.

However, the company's press office said that 32 of its sales points in Moscow were working yesterday, buying shares at Rbs50 and selling at Rbs1,000. On the street, the buying price stood at around Rbs6,000 and selling price at around Rbs10,000.

The company's apparent collapse, after months of Russia's biggest television advertising campaign, has revealed huge gaps in securities and investor protection law. But the authorities were also unwilling or unable to use what law exists, or to issue warnings until the fund had millions of shareholders.

Many of these say they have invested much of their savings in what has turned out to be Russia's latest false dream.

The affair has not yet affected the currency market, where the rouble has remained stable against the dollar for some days.

## Procter steps up attack on Unilever's 'Persil Power'

By Diane Summers,  
Marketing Correspondent

Procter & Gamble has unleashed a new attack on Unilever, its arch-rival in the soap wars, with an exhibition of more frayed and washed-out boxer shorts plus full-page advertisements today in UK newspapers knocking Unilever's new-generation soap powder.

Procter paraded the shorts yesterday - as well as pyjamas and a garish shirt - in a series of photo-sessions and media briefings highlighting the results of independent tests carried out on Unilever's "rebalanced" version of its recently launched Persil Powder.

The Persil Power formula was amended following Procter's original claim that the detergent's manganese-based "accelerator" could damage clothes after frequent washing. Procter said yesterday that new test results showed that even the weakened version of the detergent could cause damage.

The newspaper advertisements placed by Procter do not name Persil Power, but state that "only Ariel [Procter's soap powder] washes so clean yet so safe" and that Ariel "does not contain the accelerator". The advertisements



Unilever's new powder can still damage clothes. Procter claims

actions stem from the fact that it, too, plans to launch a new generation detergent in the autumn while Ariel Future will not contain the manganese-based product, it will be promoted as having very similar characteristics as Persil Power, Unilever says.

Unilever said yesterday that Procter's latest test results - conducted by independent test house the British Textile Technology Group - were "very old hat".

The test data, collected in laboratory conditions, were not as valid as Unilever's field trials which had been entirely successful, the company said. Earlier this month, Unilever published extracts of independent tests it had commissioned which were said to prove the detergent's safety and effectiveness.

The Consumers' Association, the UK consumer group, is currently testing Persil Power and results are due in about 10 weeks. Marks and Spencer, which manufactured some of the garments used in the tests, is also scrutinising the product.

Procter says it has been warning the public about the product - also marketed as Omo Power and Skip Power elsewhere in Europe - because it does not want to be blamed for any damage.

Unilever claims that Procter's

warns the public that even if they switch brands, "manganese accelerator residues can be left on your clothes", and continue to cause colour fading.

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Unilever claims that Procter's

## Tribunal critical of awards

Continued from Page 1

government's abolition last November of an £11,000 compensation limit in industrial tribunals for sex discrimination.

About 70 cases involving pregnant women dismissed in past years from the armed forces have been heard at industrial tribunals, with a record £299,000 recently awarded.

The appeals tribunal, which criticised the way the original industrial tribunals had calcu-

lated the awards, ruled that in future cases "industrial tribunals need to keep a due sense of proportion when assessing compensation".

The tribunal also called for greater consistency of awards for ex-service women.

Issuing guidance to industrial tribunals considering future similar claims, Mr Justice Morison said: "The large awards running into many tens of thousands of pounds seem quite out of proportion to the wrong done."

the economic recovery were felt. Its provisions for bad and doubtful debts fell to £102m, compared with £138m.

The bank continued to gain from its decision in the 1980s to retain non-performing debt to less developed countries.

Its debt portfolio earned it £148m, including a release of £105m provisions due to Brazilian debt rescheduling in April.

Two problems were caused by

financial market turmoil in the first half. It lost £5m in securities trading, and sustained a £25m loss from Banco Multiple, a bank dealing in Brazilian government securities in which it has a 50 per cent stake.

Sir Brian Pitman, the bank's chief executive, said it was holding on to about 80 empty branches in the hope of getting better prices when the property market picked up.

Sir Brian suggested that they

would make good restaurants.

## Lloyds Bank shares fall

Continued from Page 1

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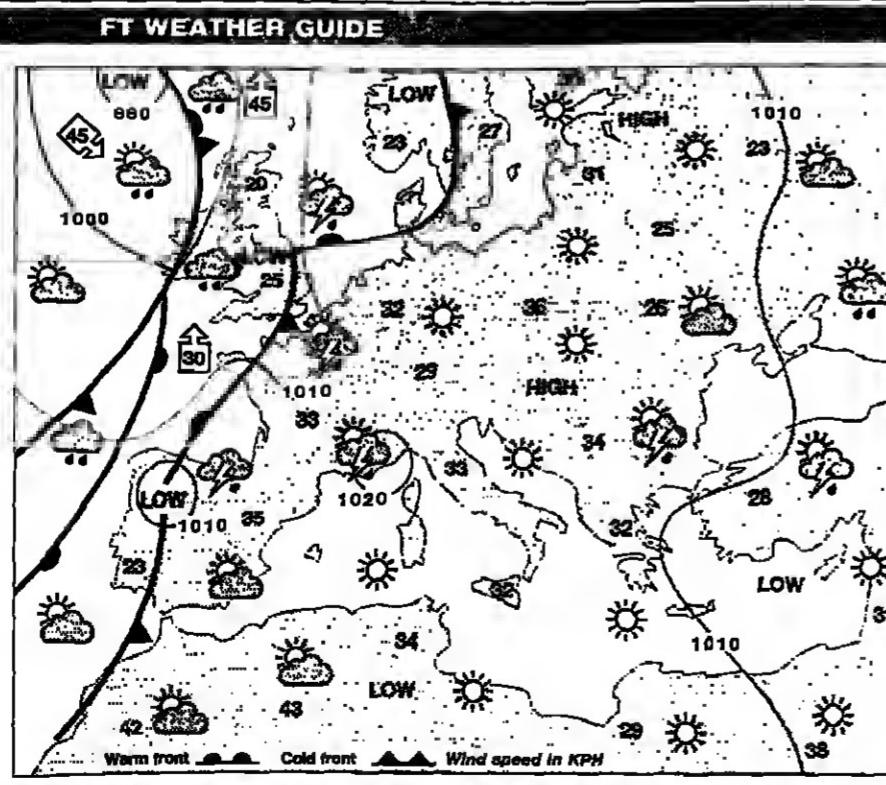
### Europe today

Most of Europe will have tropical temperatures with dry and sunny conditions in central and northern regions. It will be hot and humid in the west of the continent. Hot, moist air will spread northward to France and the Benelux countries producing thunderstorms. The heaviest showers are expected over north western France, northern Spain and south-east England. Sunshine and high clouds will mark the transition between wet and windy conditions over Ireland and sultry conditions over England and the Midlands.

Scandinavia will have unusually high temperatures with some cloud and a few patches of rain over the north. Eastern Europe will be dry and mostly sunny with scattered showers near the Black Sea.

### Five-day forecast

The next three days will be hot with widespread afternoon thunder showers developing over western Europe. Central Europe will have widely scattered showers and high temperatures. There will be rain and more moderate temperatures over western Scandinavia and the British Isles, while eastern regions remain summer-like.



**TODAY'S TEMPERATURES**

City	Max Temp	Min Temp	Condition
Paris	24	14	Sunny
London	20	12	Cloudy
Berlin	24	14	Sunny
Rome	24	14	Sunny
Paris	26	16	Sunny
London	22	14	Sunny
Berlin	24	16	Sunny
Rome	26	16	Sunny
Paris	28	18	Sunny
London	24	16	Sunny
Berlin	26	18	Sunny
Rome	28	18	Sunny
Paris	30	20	Sunny
London	26	18	Sunny
Berlin	28	20	Sunny
Rome	30	20	Sunny
Paris	32	22	Sunny
London	28	20	Sunny
Berlin	30	22	Sunny
Rome	32	22	Sunny

No other airline flies to more cities in Eastern Europe.

**Lufthansa**

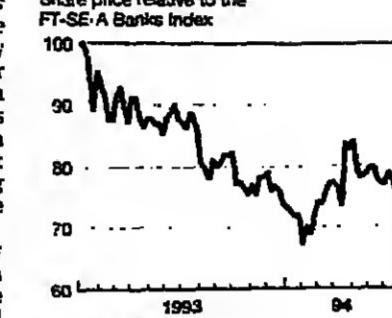
### THE LEX COLUMN

## Tender feelings

FT-SE Index: 3082.6 (-13.3)

### Lloyds Bank

Share price relative to the FT-SE-A Banks Index



Source: FT Graphs

holders' funds of 22 per cent.

The bank's answer for the time being is that it would be wrong to sacrifice return unless it was sure higher business volume would compensate for loss of margin. In other words Sir Brian Pitman, its chief executive, is not about to start the price war many observers of UK banking fear. Whether his competitors will let him go on reaping such high returns is another matter. The most dangerous time will be when loan demand picks up, making competition for market share more worthwhile.

It would be better for Lloyds if Cheltenham & Gloucester is in the bag before this happens. C&G's low-cost operation will provide a sure defence against the price-cutters. Lloyds had nothing new to say on C&G yesterday. But if the bid process falters, its shares would surely fall much further than the 3 per cent witnessed after its mildly disappointing dividend rise.

### Lloyds Bank

The strong recovery in the UK economy has barely touched the housing market. The prospect of a turn in the interest rate cycle must raise doubts among house-holders about whether it will. Although a small rise in short-term rates would not much affect the cost of mortgage borrowing, it would damage consumer confidence. Next week's house price figures from the Halifax and Nationwide building societies are unlikely to be encouraging.

This is curious. On various affordability indices, houses are "cheaper" than for many years. Demographics suggest there should also be plenty of room for new price cuts another go.

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# Weekend FT

SECTION II

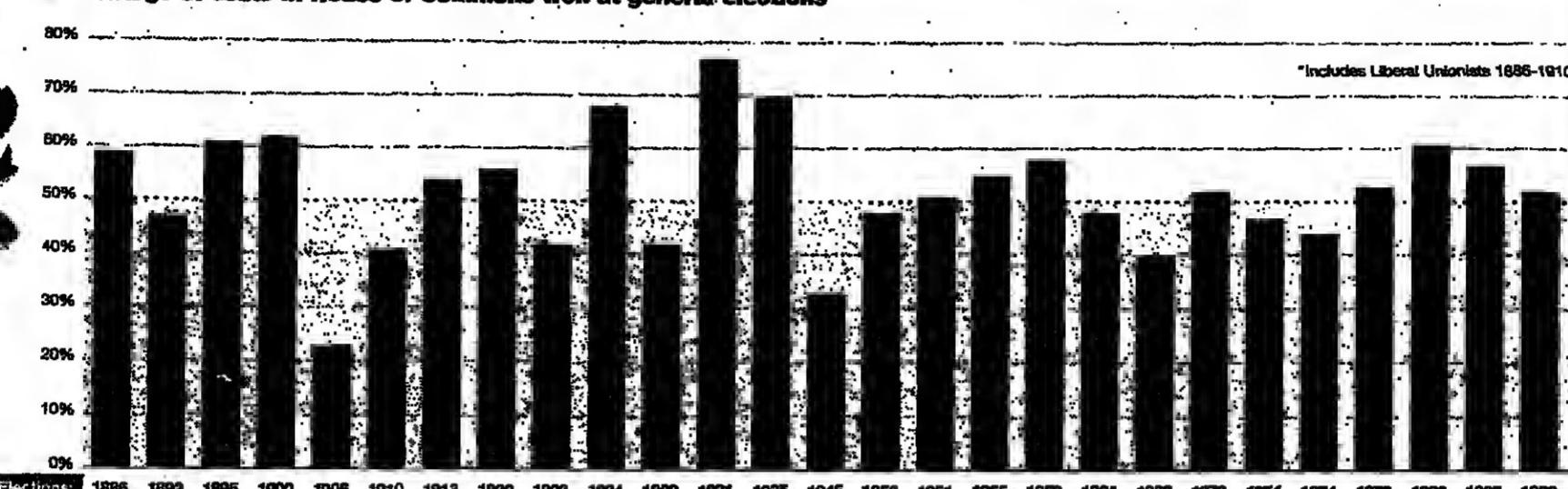
Weekend July 30/July 31 1994

## Conservative Party popularity

Lord Salisbury  
Tory leader, 1881-1902Arthur Balfour  
1902-1911Stanley Baldwin  
1923-1937Winston Churchill  
1940-1955Harold Macmillan  
1957-1963Edward Heath  
1965-1975Margaret Thatcher  
1975-1990

John Major 1990-

Percentage of seats in House of Commons won at general elections\*



\*Includes Liberal Unionists 1886-1910

## England: the west's one-party state

Over the last century the Tories have ruled Britain longer than the Communists ruled Russia. Andrew Adonis explains how they did it

*It will be interesting to be the last of the Conservatives. I foresee that will be our fate.*

**S**uch was the private prediction of Britain's longest-serving, and arguably most successful, Conservative leader of the past century. It was not Margaret Thatcher but the Marquess of Salisbury, prime minister for 13 years at the zenith of Victorian Britain's imperial power between 1885 and 1902.

No modern Tory leader, least of all Baroness Thatcher, would express such forebodings, even in private. Not in their gloomiest moods contemplating opposition to a Blair Labour government do Tories fear for the annihilation of their party. The "Canadian scenario" - the ruling Conservatives were reduced to just two seats in last year's Canadian general election - is nothing but a party game in Britain (name the two Tory MPs you would like to see survive).

The reason for this goes to the heart of contemporary English cul-

ture and politics. Since Lord Salisbury's day the Tories have, above all, been the voice of the English middle class. As that class has grown, and its values and aspirations permeated English society at large, the strength and inner confidence of the Tories has increased.

Not that the Tories were previously weak. The Conservative party is the oldest and most successful political party in any western democracy. It has governed Britain for 76 of the 110 years since the creation of the mass electorate in 1884 - longer than the Communists ruled Russia, but with the inconvenience of 29 free elections in between.

Why, then, do the Tories appear so adrift? John Major's failings and survival prospects have preoccupied the Westminster world since the day he succeeded Thatcher - a grey man leading a grey cabinet, dominated by uninspiring political managers whose driving ambition is to stay in office.

Some believe that the Tory malaise goes far deeper. In a recent pamphlet, John Gray, the political philosopher, argues that British Conservatism has committed suicide on the altar of free market economics. "Traditional conservatism no longer exists in Britain," he claims. "It is dead - killed off by the radical market liberalism adopted in the late 1970s, and which has governed the policies of successive Conservative governments since that time."

The idea is appealing. Insofar as "Majorism" represents a programme, it is the dregs of Thatcherism - taking privatisation to lengths Thatcher dared not go (the railways and the Post Office), and advancing remorselessly with public sector reforms - notably in health and education - launched in the mid-1980s.

However, Gray is on shaky ground in arguing that modern Toryism is "thoroughly unengaged to the tolerant and sceptical temper of the British electorate," and that the Conservatives are bound to reap the electoral whirlwind. The likelihood of a Tory defeat is the wisdom of the political establishment.

The Tories are the English

whose horizons rarely extend beyond the latest opinion poll, by-election or leadership change. But an historical perspective puts the Tories' present predicament in a different frame.

In the first place, there is no such thing as the "British electorate". For much of the last century Scotland, Wales and (Northern) Ireland

### 'Most of the English electorate are villa Tories in lifestyle and aspirations'

have refused to conform to the English pattern. Scotland and Wales have been markedly less Tory than England. Until the inter-war years their professional classes, never fully anglicised and more collectivist-minded, looked mainly to the Liberals for political careers. Since, the same impulses have led them to Labour.

The Tories are the English

Nationalist Party.

"My politics

are

described

by

one

word,

and

that

word

is

ENGLAND,"

Disraeli told

his

electors

in

1832.

Norman Tebbit's Euro-sceptics could not put it better today. "That word" has been nothing but a boon to the Tories. Although it rarely speaks its name, English nationalism is as potent a political force as its more naked counterparts on mainland Europe, and England accounts for four-fifths of the seats in the House of Commons.

Fighting the separatist tendencies of the other parties has always been a prime source of Tory ideology and morale, from Gladstone's Irish Home Rule plans of the 1880s to successive schemes for Scottish and Welsh devolution supported by Liberals, Labour and Nationalists in recent decades.

For the Conservatives it was only a short step to fighting the Brussels bureaucrats - or, at any rate, refusing to give in to them as much as the other parties. It is potentially just as popular a cause in England.

Nationalism inevitably creates problems of government. Salisbury

had to govern Parnell's Ireland without too much repression. John Major cannot afford total isolation in Brussels - and when Baroness Thatcher achieved that, she had to go. Yet Tories have ever been masters at tempering visceral campaign rhetoric with compromise in office.

Moreover, Tory England is expanding England. The last 30 years have seen a sharp contraction in the manual working class, a population shift to the home counties, and an inexorable rise in home ownership.

The "salaried" comprised 18 per cent of the UK electorate in 1964; it now extends to about a third (more in England), with the proportion of home owners up from about one-third to two-thirds (ditto). Over the same period the "petty bourgeoisie" of small shopkeepers and other self-employed tradespeople, consistently the most pro-Tory of social groups, has remained a solid 10 per cent of the electorate.

England now has more actors than miners, and each parliamentary boundary review sees a redistribution of seats from the cities to

the suburbs.

The Tories have long been the party of home-owning suburbs. Lord Salisbury called it "villa Toryism," and favoured single-member parliamentary seats as the best means of isolating it from less reliable - but often still pro-Tory - urban working-class districts. Most of today's English electorate are villa Tories in lifestyle and aspirations.

Villa Tories do not invariably vote Tory. In mid-term local and European elections they have always been liable to defect en masse - particularly, in southern England, to the various incarnations of the Liberal party. Since the mid-1970s the Liberal Democrats, as they have become, have garnered a sizeable vote, appealing particularly to non-metropolitan manual workers and public-sector professionals anxious for more public spending. Tony Blair's Labour party will mine the same seam.

It is important, however, to understand the strength of the Tory

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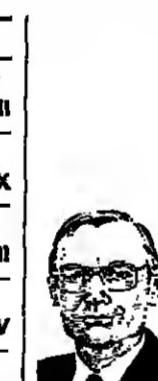
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Long View/Barry Riley

## Rates on the turn

It is now almost six months since UK short-term interest rates were controversially cut, amid disagreement between the Treasury and the Bank of England and in the immediate wake of the initial tightening of dollar rates by the US Federal Reserve.

A good deal of economic recovery and growth has flowed under the bridge since making an early rise in UK rates look much more likely, although there was only confusion in the money markets yesterday afternoon as the Bank apparently tried to distance itself from a sudden rise in Treasury bill rates.

Any official rise confirmed at the beginning of next week - maybe of half a percentage point - would be the first after 15 consecutive cuts since the peak of the last interest rate cycle was reached at 15 per cent in 1989. No acceleration of inflation is yet visible: the latest underlying rate is no more than 2.4 per cent, and the upward pressures, when they arrive, are likely to prove modest. However, inflation can only be beaten from the front, not in arrears.

The British economy is now growing quite fast - by 3.3 per cent in the second quarter, which on past form for this stage of the economic cycle is likely to be an underestimate by the official statisticians. In such a context this week's quarterly industrial trends survey from the CBI for July upset the market by highlighting the ingrained inflationary bias in Britain's industrial economy. Capacity utilisation is already at historically high levels; investment intentions are quite subdued.

Britain's manufacturing industry is today dominated by dogged survivors. Most of the expansionists and optimists went out of business years ago. The rest have cut capacity and slashed costs and have waited impatiently in their trenches for a revival in demand. They now plan to raise their prices and boost their profits - at least, that is the intention of a significant balance of companies surveyed by the CBI. The same

message comes from a separate survey, showing a sharp rise in the purchasing managers' price index for July. There is little obvious sign of companies that intend to increase output and cut prices outside Wapping, anyway.

If this price-based commercial strategy works it will prove inflationary. A price-led recovery would surely drag up pay, currently growing at a fairly modest 3% per cent. Profits are already reaching a 30-year high as a proportion of national income. More likely, the strategy will not work but will lead straight to a more potent problem - a balance of payments crisis. This is because in an open economy foreign-made imports, which are not having their prices raised will increase their market share - and anyway, domestic supply will prove inadequate.

A strong cyclical surge in profits is built into the expectations of the stock market. The renewed weakness of the gilt-edged market this week, when the Bank of England offered straight 16-year fixed-coupon paper, which was what the market was supposedly waiting for. But the issue barely got away and bidders were immediately showing a 1.5 per cent loss.

One problem may be a shortage of domestic buying power at a time when the foreigners are sitting on their hands. Life assurance companies, the biggest domestic buyers of gilts, have seen their new business fall away by 20 per cent in the first half for the Prudential, by 17 per cent for Legal & General. Pension funds have very little cash flow, and can only buy gilts by selling equities.

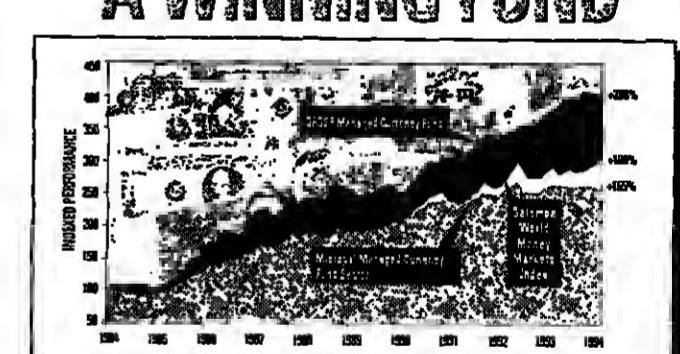
But the more fundamental point is that this is a bad time in the cycle for bonds. When equity dividend expectations are so high a yield of even 8% plus on gilts seems tame. The market seems quickly to have forgotten the scare over Stephen Dorrell and his hints at extra taxes on dividends: Dorrell has anyway been reshuffled to a safe distance from the Treasury.

At some point, perhaps imminently, the Bank of England may have to seize the initiative and put short-term rates up. It has to cool down economic growth to a pace - under 3 per cent - which the capacity-constrained UK economy can handle. It will have to try to convince industry - though this will take years - that rapid, sustainable growth can only come through raising productivity and building more factories, not from jacking up margins.

The UK equity market, however, has jumped on to a time loop back to the 1980s, and is thoroughly enjoying the ride. But that time machine could generate higher interest rates too.

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## MARKETS

London

## Fretting over whether the price is right

Andrew Bolger

**H**OW can the shares of a small grocery chain such as William Low nearly double in value within a fortnight? Easy: when Britain's biggest food retailer, J. Sainsbury, decides to change the habits of a lifetime and enter a bidding battle to prevent Tesco, its main rival, from snapping up the struggling Scottish company.

Analysts fluently reel off reasons why the majors are keen to get their hands on Wm Low: it offers a shortcut to a strong market position and distribution network in Scotland, where it is increasingly difficult to obtain planning permission for more stores.

Yet a fortnight ago these strategic assets were scarcely reflected in the Dundee group's share price, which had languished as the market focused on its shrinking sales and profit margins. The episode is a useful reminder that markets must try to combine judgments of both underlying value and

short-term trading performance and outlook - and how inexact the results can be.

The disparity between the current buoyancy of corporate assets and increasing concern over some fundamental aspects of the UK economy explains the twitchy mood of the City, even though the FTSE 100 index has now bounded by 200 points from its June low point of 2877.

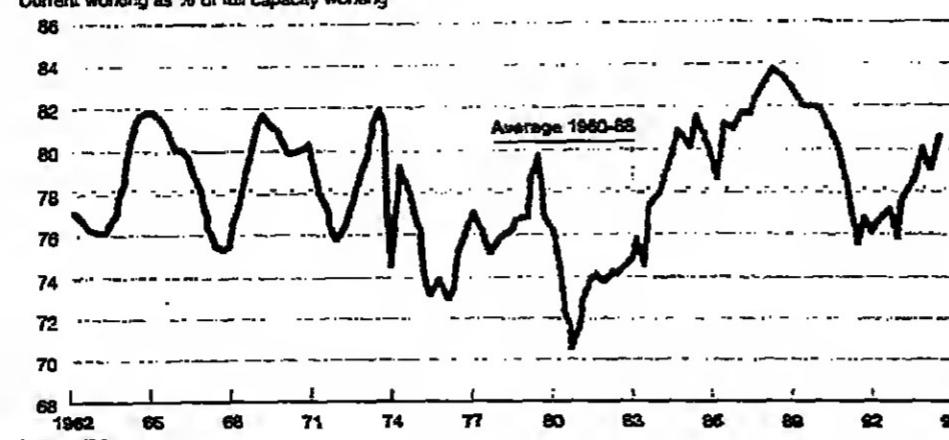
This week Imperial Chemical Industries increased its pre-tax profits by 40 per cent and the UK's largest chemicals company hailed "the first tangible signs of a widespread recovery in our worldwide markets".

Lloyds Bank got the clearing banks' reporting season off to a solid start by confirming a sharp drop in bad debt provisions, but subdued demand for loans suggests customers will not forget the harsh lesson of recession in a hurry.

Even beleaguered BAT Industries, the tobacco and financial services group, was able to increase profits in spite of the growing backlash

## Plant capacity utilisation

Current working as % of full capacity working



against smoking in the US.

An important cloud overhanging the equity market was dispelled on Thursday, when the new price regime for the privatised water companies was revealed. Although the controls - known as K-factors - limit future price increases to 1 percentage point a year above inflation, analysts quickly concluded that most of the 10 privatised water and sewerage companies would be able to maintain dividend increases of 3 or 4 percentage points above inflation.

However, the City's underlying nervousness had been demonstrated the previous day, when the FTSE 100 shed 34.5 points to drop back through the 3,100 mark. The Confederation of British Industry's quarterly industrial trends survey showed that improving exports were contributing to the fastest rise in order books for

almost six years. But analysts were more concerned by indications that UK interest rates might have to be tightened sooner rather than later.

Inflationary pressures in the manufacturing sector picked up over the quarter, and relatively weak investment intentions fuelled fears that bottlenecks are developing. As the chart shows, capacity utilisation rates showed a further increase in July - and are already running well above their long-run average.

The percentage balance of firms expecting to increase their expenditure on plant and machinery over the next 12 months was plus 6 per cent in July, compared with plus 4 per cent in April, so the capacity shortfall will not be quickly made good.

The broker USB warns: "This suggests that manufacturing industry has a woefully inadequate capital base, which could act as a severe constraint on future output growth. If demand growth remains strong, it is likely to fuel rising inflationary pressures and a burgeoning current account deficit."

The CBI survey showed that most British companies have not adjusted their investment criteria for low inflation and interest rates, in spite of warnings from the government that this is stifling investment. Many companies still demand that investment projects should either yield a rate of return above 20 per cent, or pay back the investment within three years.

Companies also assume the government will not deliver its inflation promise. Their average prediction for inflation when considering investment

projects is 5 per cent, compared with the government's target of bringing it below 2.5 per cent by the end of the parliament.

Eddie George, governor of the Bank of England, has cited the expectation of higher inflation as one factor that would call for tighter monetary policy.

The market again took fright yesterday afternoon, when the Bank sold short-term Treasury bills at rates of up to 5.75 per cent - half a percentage point above the level of base rates.

Some traders took this as a signal that UK interest rates were about to rise and the FTSE 100 at one point had shed 62.5 points. It recovered to close just 13 points down on the day, as analysts concluded that the Bank had probably not been trying to send any such signal.

However, it seems clear that concern over the timing and impact of the next rise in interest rates will continue to limit the pace of the market's advance - even if companies continue to report solid increases in profits and dividends.

Next week's quarterly bulletin is likely to emphasise the Bank's continuing hard line on inflation.

Meanwhile, this weekend one can only envy the shareholders of Wm Low, who wait to see which suitor will stuff most cash into their pockets.

Investors in Sainsbury, Tesco and the other large food chains are likely to be less sanguine. The enthusiasm with which this battle has been joined suggests that even the UK's most successful food retailers now face a much tougher and more competitive future.

**T**his week's spurt of relief in water company shares prompts two thoughts. First, it is a classic example of investors being more worried by anticipation of bad news than by the news itself. Secondly, many water shares still look sound long term value.

Investors were - rightly - afraid that this week's new price cap for water companies (see page IV) would make it harder for the companies to continue paying out such munificent dividends. Brokers' analysts had done lots of pretty accurate sums about what regulator Ian Byatt would decide. But investors still held off until they knew for sure. Once the bogey could be viewed in plain daylight, it looked far less frightening.

Speculators who bought ahead of the review will generally have done well - but not if they bought South West, which fell because its price cap was tougher than expected. Moral: if you are going to speculate, go for a spread of shares - unless you are sure of your ground.

What matters to more serious investors is the outlook for water shares now. The sector dividend yield is more than 5.1 per cent compared with 3.5 per cent for the market. Yesterday many investors were arguing that most of the shares (but not the luckless South West) had a bit further to go short term - although prices were racing ahead as they talked. Ten per cent is probably the limit. But long term prospects make them look a solid investment.

Some analysts reckon the water companies have scope to increase dividends by over 4 per cent (inflation-adjusted) a year over the next five years. And the bigger increases may come through in the early years. Not bad, given the lack of commercial risk.

Laterally minded investors also bought regional electricity shares after the water report.

## Serious Money

## Water: half full or half empty?

Gillian O'Connor, personal finance editor

That is too simplistic. There may be a case for electricity shares, but do not base it on water.

□ □ □

The Great British Public is thoroughly confused by the Great British Financial services industry. People are worried that they do not understand enough about more complicated products such as pension plans to make an intelligent choice themselves.

They think it vital that a financial adviser should be strictly independent, but very hard to find such independent advice.

These are some of the findings from the National Consumer Council's new MORI survey into what people think of personal financial services.

The Council describes the lack of consumer confidence as "worrying". But in many ways it is rather encouraging.

For the public is right to be puzzled by many of the "products" being sold. It is also right to be suspicious of many of the people selling those products.

Consumers have read all the stories about mis-selling of personal pensions, abysmal life insurance surrender values, and ignorant salesmen. And they understand that any salesman who is paid mainly or exclusively by commission must find it hard to give genuinely independent advice.

Hence their worry. But here also the first stirrings of change in a minority of life insurance companies. Only this week Norwich Union switched its sales agents from commission to salaries.

If commission is the root of all evil, do not waste time persuading your sales staff to rise above it - just remove the temptation.

□ □ □

known as additional voluntary contributions (AVCs), may be a good idea, but you need to watch what you are contributing to.

A new survey from actuaries Watsons' confirms one longstanding worry (Weekend FT, April 9, page III). If you opt for a free-standing AVC you may well get a worse result than if you stay with your employer offers. For charges are likely to be up to twice as high.

Additional contributions seldom go into the main pension scheme: they are run separately. All companies with standard pension schemes have to offer an AVC, and most employers mop up the charges of the scheme. So assuming the underlying investments produce the same stockmarket performance in both cases, the in-house AVC is bound to give a better result.

That does not, though, mean that you should opt for a company AVC regardless. It depends what the company is offering. Some merely provide building society linked schemes - which may suit people very close to retirement, but not those with several years to go.

But if your employer offers a good with-profit or unit-linked scheme run by a financial company with a good record, that will probably be a better choice than a free-standing scheme.

As Watsons suggests, the best of all worlds is an employer which offers its employees a choice of AVCs.

□ □ □

Advertising is an alternative scapegoat for financial upsets. How about a switch to the new Russian system? Businesses can only advertise actual dividend and interest rates paid in the past. Now there is a creative challenge.

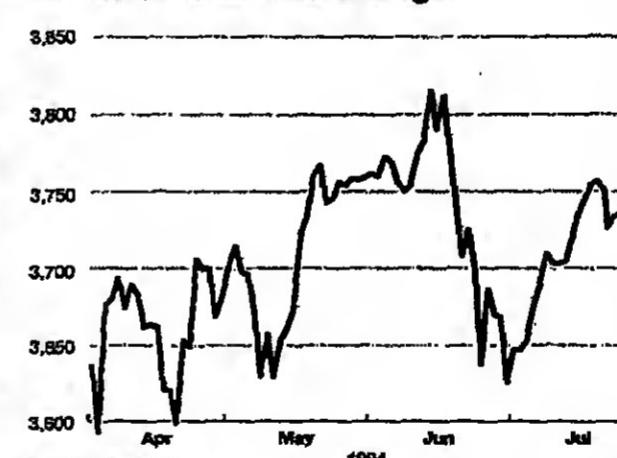
■ The Watsons 1994 Survey is £5 from Robert Inglis, Watson House, London Rd, Reigate, Surrey, RH2 9PQ or tel: 0737-341124.

P

## Wall Street

## Inventories fever disperses doldrums

## Dow Jones Industrial Average



**I**n the middle of the summer doldrums it usually requires something important for Wall Street traders to suddenly stop talking about the exciting issues of the day, which this week were in no particular order - the impending baseball strike, the OJ Simpson case, and the state of Cindy Crawford's marriage.

It happened yesterday, however, and few could have guessed what it would be that so excited the traders on the floor of the New York Stock Exchange and in the dealing rooms around Wall Street. Was it a presidential scandal? No. An invasion of Haiti? Wrong. A bank collapse? Think again.

The subject of everyone's discussions on Wall Street yesterday was inventories. Or, as the economics dictionary describes them: "stocks of raw materials, work in progress and finished goods." Exciting, isn't it?

While inventories do not normally make波瀾壮阔 race, Wall Street economists had palpitations yesterday when the second quarter economic growth figures were released.

The rise was so large that it accounted for 2.2 percentage points of the 3.7 per cent gain in GDP. In other words, economic growth rose handily in the second quarter less because demand for goods climbed, but more because companies bought materials that never left the factory floor or produced goods that never left the shelves. In fact, demand growth was relatively weak - final sales of domestic product rose only 1.5 per cent in the quarter.

A big build-up of inventories usually means one of two things. Either, the build-up was voluntary as companies produced more goods to meet demand. Or, it was involuntary as companies were left with an unexpectedly large

amount of unsold goods because demand weakened. If it was the former, then it suggests that the economy will continue to grow strongly. If it was the latter, then it suggests the economy is slowing down, probably because of the recent rise in interest rates.

Which of the two factors were at work was the question everyone was asking on Wall Street. Elias Bikhazi, an econ-

omist at Deutsche Bank, asked: "Does it constitute an overhang for the second half?" John Ryding senior economist at Bear Stearns, said: "The question is, were the inventory accumulations unwarranted?" And Ben Maryland of Society National Bank commented: "I've got to believe in some quarters it was unwelcome."

The bond market, typically, wasted little time worrying

about what the answer might be. It decided that inventories rose in the second quarter because demand had slowed unexpectedly. This could only be good news for investors in fixed-income securities, who fear that rising economic growth will push up inflation, which undermines the value of their investments.

The rush to buy bonds in the wake of this calculation lifted the 30-year government bond almost one and a half points during the morning, and pushed the yield - a key determinant of long-term interest rates - down from 7.55 per cent to 7.41 per cent.

Share prices rallied along with bonds, the Dow Jones Industrial Average climbing 20 points as equity investors bet that the apparent slowdown in economic growth indicated by the jump in inventories would dissuade the Federal Reserve from raising interest rates again. The Fed's open market committee is due to meet on August 16, and most economists were thinking this week that it would vote to raise rates one more time. The inventories data, however, have given the econ-

omists cause to think again. Yet, not everyone on Wall Street was convinced that the rise in inventories was good news for bonds and stocks. A few discordant voices pointed out that the bulk of the rise in inventories was at the wholesale trade level, which is largely imported products.

That's a sign that companies are buying goods ahead of price increases," explained Mike Strauss, an economist at Yamaichi International. In other words, inventories rose not because of slower domestic demand, but because US companies were stockpiling materials and goods produced abroad before prices went up.

Strauss, however, was in a minority. For most on Wall Street, inventories were up because demand was down. This suggested interest rates probably would not go up, so bond yields should go down, and stocks up.

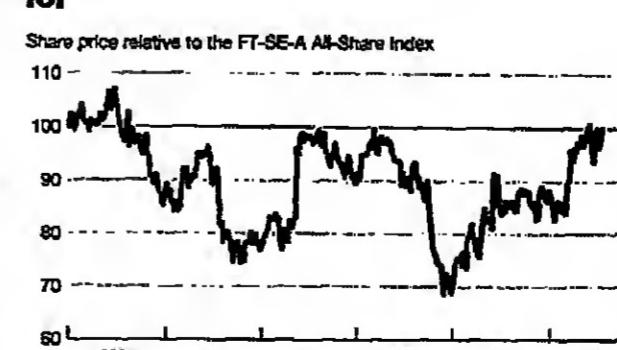
■ Patrick Harverson

Monday 3741.84 + 0.60  
Tuesday 3735.68 - 0.15  
Wednesday 3720.47 - 15.31  
Thursday 3730.83 + 10.36  
Friday

## Bottom Line

## ICI finds the right chemistry

## ICI



**I**CIs programme, which contributed about half of the 40 per cent rise of profits, is beginning to run out of steam.

Hampel estimated that the programme had saved more than £210m during the first half, and that the savings target of £490m next year was within reach, he said. Indeed, cost-cutting had been achieved faster than expected, said Hampel. This might well have been the consequence of the demerger which had allowed managers to focus more clearly. ICI was now looking a far tighter ship.

**T**he group would continue to look for savings, said Hampel. But analysts wonder how much more can go.

ICI's strategy looks sound. Its focus since the demerger is undoubtedly tighter. The outlook seems good. The problem for investors is that ICI's shares have outperformed the London stock market by 15 per cent since the beginning of the year. Those holding the shares should hang on. Those without have, for moment, missed the boat.

■ Paul Abrahams

### Best June on record for unit trust sales

Unit trusts had their best June on record, with net sales of £1.1bn - 50 per cent up on £726m in May. The Junia figure was almost 80 per cent higher than that for June last year, when net sales totalled £510m.

Less than half the net sales last month were to the retail sector - the lowest proportion so far this year - with the rest bought by institutions, the Association of Unit Trusts and Investment Funds said.

The best-selling sectors among retail investors were UK growth, followed by UK equity income and international growth. Net sales of unit-trust personal equity plans were £1.1bn for the second quarter, down from £1.55bn for the first quarter, which is the traditionally busy end-of-tax-year sales period.

### Mortgage arrears fall

Fewer homeowners were in arrears with their mortgages at the end of June than six months earlier: 142,230 were more than 12 months behind with payments, compared with 151,810 at the end of 1993. Shorter-term arrears also showed an improvement.

But lenders warned that rumoured government plans to cut back income support payments to unemployed homeowners could lead to a resurgence of payment problems.

### Norwich Union switch

Norwich Union, the big UK insurer, has switched its life and pensions sales agents from commission to salaries. In March the insurer announced that it was suspending its entire sales force for a month for restructuring, after the life industry's regular identified breakdowns in management control. Instead of being paid by commission on the policies they sell, sales agents will receive a basic annual salary of £12,000 as well as commission. The number of branch offices is to be cut from 25 to 13.

### Shares-for-Peps swap easier

Investors will find it easier to exchange shares for investments in a personal equity plan as a result of a change to the Peps rules. The Inland Revenue has agreed to a suggestion that an investor can sell shares and buy them back immediately for the Peps. In the past, investors had to wait until settlement day before they could buy back shares for the Peps.

### Smaller companies cheer

Smaller company shares had another more positive week. The Hoare Govett-Smaller Companies Index (capital gains version) climbed 0.8 per cent to 1,652.76 over the week to July 28. It has suffered less than the FT-SE-A All-share Index, which is down 7.8 per cent.

r: half full  
half empty?

## FINANCE AND THE FAMILY

## Key to a cheap M-reg

Bethan Hutton explains that you save money if you do not own your car

**T**his August, record numbers of new cars are expected to be driven away from showrooms by people who do not own them.

Britain is not about to suffer an upsurge of car crime. Many of this year's M-reg cars will be acquired by consumers using personal contract purchase (PCP) schemes, which allow you to drive off in a new car every two or three years, without ever paying the entire cost.

PCP is the fastest-growing way of buying a new car. Ford introduced its Options plan in 1990, and says it expects Options purchases to account for more than half its sales within two years. All the big manufacturers have their own versions, together with some finance houses which run schemes for dealerships.

From September, Midland plans to operate the first independent PCP scheme aimed at consumers. It will offer holders of Midland credit cards a telephone-based scheme operated by its car finance subsidiary, Swan National, which can be used to finance any make of car.

All PCP schemes work in roughly the same way:

■ Dealer and customer agree a price - for example, £13,581 for a Vauxhall Cavalier 1.8 GLS.

■ Customer pays a deposit or trades in another car - eg 30 per

Lender	Monthly payment	Total payable	APR	Notes
Abbey National	£170.00	£3141.80	14.8%	A
Alliance & Leicester	£170.60	£3141.80	14.8%	A
Bank of Scotland	£168.85	£3178.50	14.8%	A
Halifax	£177.32	£3383.52	17.9%	C
Midland	£172.98	£3226.58	15.8%	E
TSB	£172.97	£3226.92	15.9%	F

Sources: Moneyfacts. See details on page 16. Excludes rates for loans of £5,000 over 3 years without insurance. A: Direct debit repayment only; B: Promotional car loan rate valid until 31 July 1994; C: Rate of 18%; D: Rate valid until August 31; E: Rate includes discount on all loans and September 30; F: Rate includes 2% discount until August 31.

cent deposit on the Cavalier (£4,074) leaves a balance of £2,507.

■ Dealer works out a "future value" - what the car is expected to be worth second-hand at the end of the agreement, which can last between one and four years. The Cavalier should have a residual value of £5,838 after two years.

■ Customer makes monthly payments composed of interest on the whole balance, plus repayments of the difference between the car's price (less deposit) and the future value - £3,668 in the Cavalier's case. Payments are £24 a month for two years, at an APR of 9.7 per cent.

■ At the end of the agreement, the customer can choose to pay the balance (the "future value"), and own the car outright; hand back the keys and walk away, having, in

effect, hired the car for a few years; or swap the car for a new one, using any excess over the predicted future value as a deposit. Most drivers take the last option.

The attraction of PCP is that monthly payments are lower than with a straight loan or hire purchase, where you repay the entire cost of the car over the term of the agreement.

If you want to use PCP to roll over to a new car every few years, it is important to pick a car with a high resale value. With PCP, you pay for the depreciation plus interest, never the residual value.

Monthly payments could be lower with a more expensive car which keeps its value well, rather than a cheaper car which depreciates rapidly. Midland says it will be able to

give independent advice on precisely that.

The most important factor in the amount you pay is probably not the car's price or its future value, but the interest rate.

Take the example of an identical Ford Mondeo GLX 1.8, bought using Ford's own Options scheme, or Midland's new Carchoice. Ford estimates the on-the-road price at £14,160, and the future value at £6,385 after two years. Midland's figures are similar, £14,084 and £6,636 respectively.

But based on a 8 per cent deposit and mileage of 12,000 a year, the monthly repayments work out very different, at £250 with the Options plan, and £175 with Midland. This is mainly due to the different APRs: 15.8 per cent with Ford, and 8.8 per cent with Midland. All the savings you bargain so hard for can be wiped out by an extra few percentage points on the APR.

If you want to use PCP to roll over to a new car every few years, it is important to pick a car with a high resale value. With PCP, you pay for the depreciation plus interest, never the residual value.

PCP is not the right choice for everyone. It is usually available only on new cars, or sometimes

those up to two or three years old.

If you want to buy a car outright, it may not be convenient to have to pay a large lump sum after two or three years. And even future value may not apply if the car is in good condition, and has kept within certain mileage limits - usually 6,000 to 12,000 miles a year.

At this time of year, banks and building societies trumpet their dis-

counts and offers on personal loans to attract car buyers. Do not ignore the finance offered by car dealers.

There are 0 per cent finance offers around, though you usually need to make a 50 per cent deposit and pay the balance over 12 months.

Nell Tomkin of Lombard North Central, a large finance house, says it is a myth that buyers with cash

gaining power to push down the price of a new car.

Dealers' margins have shrunk, leaving them less room for manoeuvre, but Tomkin argues that buyers may actually get a better deal on a car if they take the dealer's own credit. The dealer earns commission on the finance, as well as the car, and could possibly afford to trim the car's price a little more.

## Action group enters fray

Scheherazade Daneshkhu and Barbara Ellis on Knight Williams

**T**he battle lines are drawn between Knight Williams, one of the UK's largest independent financial advisers, selling mainly to the retired, and its most disgruntled customers, the Knight Williams Investors Action Group.

The field is also strewn with MPs, the Treasury, the Consumers' Association, the Securities and Investments Board which is the chief regulator for financial services, and Fimbra the self-regulating body for independent financial advisers.

What is it all about?

The MPs, who include Sir David Steel, the former Liberal leader, last week tabled an all-party early day motion in the House of Commons. It read: "This house is concerned by the number of complaints received

from constituents, many of them retired people, who are dissatisfied with the service they have received from Knight Williams which has resulted in constituents suffering varying degrees of loss. It is also concerned about the apparent inability of the Sib and Fimbra to bring full light to bear on the subject and urges the government to institute a thorough inquiry into the whole matter."

The action group has submitted an analysis of 125 complaints to the Treasury.

What does KW say? It has accused three of the MPs - John Gunnell, Sir Anthony Grant and Sir Geoffrey Johnson Smith - of having vested interests in signing the early-day motion, because of their links respectively with Yorkshire Fund managers, Barclays

Bank and Eagle Star. It says these are competitors which could view KW as a "potential acquisition". What is their response?

Eagle Star: "The concept of being in KW is the highest in the industry with an initial charge of 6.39 per cent and an annual charge of 2.5 per cent.

What is KW's reply?

It says some customers panicked and sold after world markets fell in the aftermath of the 1990 Iraqi invasion of Kuwait but those who stayed with KW have more than made good their losses.

It also says that complaints are small compared to its customer base of 24,000; of the 215 Fimbra-registered complaints, it has been found at fault in 21. However, Fimbra suggested that it strengthen its compliance function with an appointment which had Fimbra's

adviser commission - and of lack of independence. Its target market, the elderly, is seen as very vulnerable to abuse.

Charges on its unit trusts are the highest in the industry with an initial charge of 6.39 per cent and an annual charge of 2.5 per cent.

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approval. KW recently appointed Colin Pinnell, formerly head of legal services at Fimbra, to oversee its internal and compliance department.

KW says its charges are not high when you compare them to the discretionary portfolio management service of any broker. More than 80 per cent of its customers are put into its funds.

It says that since it gets other investment houses (including James Capel, Gerard Vivian Gray, Mercury, Lazar, Schroder and Barings), to manage the funds in a way similar to broker bond funds, it fulfills its role as an IFA.

What are broker bonds?

With a broker bond fund, clients' money is invested in life insurance funds and unit trusts. The idea is that the intermediary can switch cheaply between companies to catch the best sectors.

The Sib nearly outlawed broker funds in 1990 because of a potential conflict of interest for the intermediary, worries about investment performance and double charging - the investor pays the fund manager and the intermediary. Surely what matters in the end is investment performance? Yes, but high annual charges eat into a greater proportion of a fund's return. The table shows the performance of Knight Williams' largest fund, Global Income and Growth, with about £200m. Its performance is not out of line with the average broker life fund but it has been beaten by the FT-A World Index and the average unit and investment trust (apart from over one year, when KW beat the average unit trust). Over five years, a building-society investment would have provided more profitable.

See Page VI

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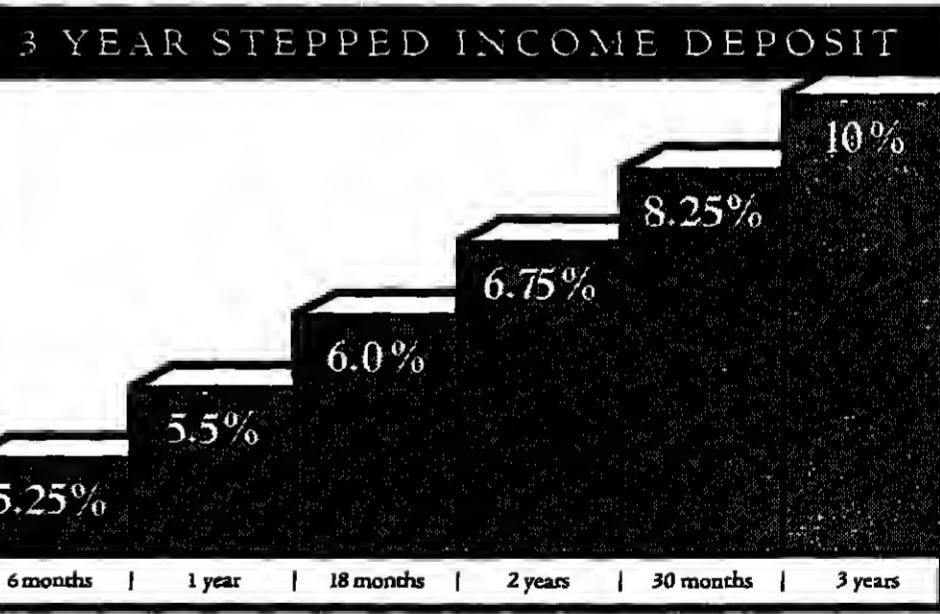
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R E G.



## FINANCE AND THE FAMILY

# Drive down your car insurance bill

*Joanna Slaughter explains why most people are paying less*

**C**ompetition, better underwriting and fewer thefts have been good news for drivers. Over the past year, some motor insurance premiums have fallen by between 5 and 10 per cent, according to Mark Wood, managing director of the Automobile Association's insurance and financial services.

He says: "The absolute incidence of motor crime reduced very sharply in 1993 and there has been a massive number of new market entrants, both from continental Europe and new start-up operations. Traditional insurers have been reducing prices and the new direct writers are paying to build up a position in the market."

Direct insurers sell their policies over the telephone, cutting out middlemen, and probably account for around a third of the market. One

of them, Direct Line, is the largest motor insurer in the UK.

The irony is that although they started out as niche players, they now tend to occupy the middle ground, leaving the niches to the conventional insurance companies.

Michael Edwards, deputy managing director of The Insurance Service - the direct insurance arm of Royal Insurance - says much of the cross-subsidy between good and bad risks has been eliminated due to changes in underwriting techniques in recent years. Inevitably, though, this has not benefited everyone.

The virtual end of the 50-year-old knock-for-knock agreement - under which insurers agreed to pay claims presented by their policyholders irrespective of their responsibility for an accident - means that comprehensive drivers are no longer subsidising third-party risks.

## What to look for in an insurer

A number of factors are taken into account in the calculation of car insurance premiums, including the type of business the underwriting company wants to attract. But while motorists cannot change their age, place of residence or occupation, or even build a garage, simply to satisfy an insurance company, there are ways to cut insurance costs.

■ Restrict the cover to named drivers, particularly if only you and your spouse drive the car - this can cut costs by more than a third.

■ Fit a security system. But make sure the system you pick is approved by insurers before it is installed.

■ Agree to a larger voluntary excess. Paying the first £100, £200 or more of every claim could reduce premiums considerably.

■ Settle for third party, fire and theft rather than a comprehensive policy if you have a low-value car.

■ If you are a member of a union, or other professional or voluntary organisation, or work for a large company, ask whether it has a group discount scheme with a particular insurer.

■ Special deals can be found for many categories of driver. Different insurers offer lower rates or tai-

lor-made policies for women, the over 50s, public sector employees, or drivers with a low annual mileage.

■ Cars more than 10 years old could be insured under a "classic car" policy, which is often cheaper but usually involves mileage limits.

■ If you have more than one car, some insurers will offer discounts when you insure them all together, on the basis that you can only drive one car at a time.

Motor insurance is sold in so many ways that drivers can find it difficult to know where to look.

Should they start by telephoning a direct insurer or a centralised broker, or make their first port of call the traditional high-street broker?

Wood says: "Direct insurers pile it high and sell it cheap. But consumers should look at the excesses; look at what is covered and not covered; and ask a serious number of questions. Of course you should get a quotation from a direct writer, but you should also ring an insurance broker."

Price is not the only consideration, says Wood. "If you have a claim, you have an advocate with the insurance company if you have a broker. If you are with a direct insurer, you have to negotiate with the company by yourself."

Many young drivers who had been shielded by their parents' insurance have been hit hard, too. A survey in the latest edition of *Which?*, the Consumers' Association magazine, shows that the cost of a policy for a man with an expensive car, whose wife and son are also covered, has almost tripled over the past two years.

Young drivers with high-value cars who arrange cover in their own names are likely to find this very expensive. I asked three direct insurance companies and three brokers to give quotations for a 24-year-old journalist with one speeding conviction who was seeking comprehensive insurance for the first time on a 1982 Ford Escort XR3i. One quotation was to be based on a south London post code, the other on a post code in Norfolk.

Direct Line, Churchill and The Insurance Service would not cover either risk. AA Insurance quoted £4,885 (in London) and £3,222 (in Norfolk), with a £175 compulsory excess. Telesure, the UK's first telesales company, produced rates of £3,500 (London) and £2,647 (Norfolk), with a £350 excess. And Swinton quoted £4,086 (London) and £2,882 (Norfolk), with a £600 excess.

Many young drivers cut costs by taking third party - the legal minimum protection - instead of comprehensive cover. Simon Ward, Telesure's managing director, says this would cut the cost for the south London driver to £1,705.

Costs also fall when young motorists have established a no-claims driving record. If the south London driver had completed four years without a claim, the AA would have quoted a premium of £1,742.

No insurance company is a best buy for every risk, and drivers should not accept the first quotation offered. Direct insurers tend to be around 10 per cent cheaper on many standard risks but are unlikely to offer cover to drivers who own high-value cars or who live in a high-risk area.

Edwards says his company will not quote on 10 to 12 per cent of motorists. But Telesure scans 150 schemes from 32 insurers, and Ward believes it can quote for 99 per cent of the motorists who come to it.

Meanwhile, James Duffell of Norwich Union - a broker-orientated



Best insurance buys for lowest risk areas			
Provider	Premium £	Excess £	Type of provider
Swinton	219	150	Intermediary
The Ins. Service	228	75	Direct ins.co
Jardine	233	100	Intermediary
Countrywide	236	150	Intermediary
Bradford Pennine	248	100	Intermediary
Endsleigh	271	50	Intermediary
AA - Members' Benefits	275	100	Intermediary
AGF	278	50	Insurance co
Bevin Clarkson	279	100	Intermediary
C E Heath	282	100	Intermediary
MT	286	75	Insurance co
Orion	290	100	Insurance co
AA	292	100	Intermediary
Direct Line	293	50	Direct ins.co
Box	297	100	Insurance co

Source: Consumers' Association

Best insurance buys for highest risk areas			
Provider	Premium £	Excess £	Type of provider
The Ins. Service	385	75	Direct ins.co
Countrywide	434	300	Intermediary
MT	468	75	Intermediary
Jardine	474	100	Intermediary
AA	481	100	Intermediary
Swinton	507	-	Intermediary
Eagle Star Direct	511	50	Direct ins.co
Independent	517	50	Insurance co
Direct Line	521	50	Direct ins.co
Link	526	200	Insurance co
Fitzwilliam	537	50	Intermediary
Endsleigh	537	50	Intermediary
The Service	537	50	Insurance co
C E Heath	545	100	Intermediary
Bank of Scotland	550	-	Intermediary

Source: Consumers' Association

company which does not have a direct arm, says: "We are much better for hot hatches, younger drivers and executive cars."

Like other insurers, Norwich also has such "extras" as standard breakdown cover for women and older drivers, no loading for unregistered cars, and a limited-mileage policy that brings down costs for

the occasional driver.

Although direct insurers are often the cheapest for the "average" motorist, this is not always the case. Insurance brokers gave seven out of the 21 lowest quotes, according to *Which?*

The tables show the 15 most competitive quotations obtained by the Consumers' Association for a typi-

cal family car - in this case, a four-year-old Rover 220SE garaged overnight. The policy covers a 45-year-old manager of a printing company (with a full licence and 25 years' driving experience) and his wife. The driver has a full no-claims driving record, no accidents, claims or convictions, and drives to work.

The *Which?* survey revealed huge

premium variations, even for this standard cover. While Swinton - a broker - quoted £219 for the lowest-risk area, five insurers charged more than £500. Similarly, the cost of cover at The Insurance Service for the highest-risk area was £365, but premiums with the five deepest insurers topped £1,000. The Pearl charged a staggering £2,431.

*Where does the smart money go when stocks are high and interest rates are low?*

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## FINANCE AND THE FAMILY

# 'Smug and greedy trusts'

The spotlight has been on the life industry debate over the disclosure of charges. From next year, life companies will have to reveal to private investors the amount of commission they pay to financial advisers for selling their products.

Unit trusts, which also pay commission to financial intermediaries have so far escaped the same scrutiny. However, a prominent figure in the unit trust industry, Tim Miller of Portfolio Fund Management, believes that Britain's unit trusts are smug and greedy and need to change radically if they are ever to become mass-market investments.

Miller used to be marketing director at M&G, the UK's largest unit trust group, after being managing director of Framlington unit trusts. He believes that a clear explanation of the risks, rewards and costs involved is the key to attracting a broader public.

A working party of the Securities and Investments Board, the financial services watchdog, is studying disclosure of

unit trust commissions and charges. Miller, who used to serve on it, says it could help both investors and the industry by recommending that unit trusts adopt the style of disclosure used in the US mutual fund industry. This would mean showing the effect of charges over different periods of time using a standard growth rate of 5 per cent for total return but not distinguishing between income and capital growth.

"For many years, the unit trust industry has preened itself in comparison with life companies because of the transparency and apparent low level of its charges. But I think we may have been deluding ourselves," says Miller.

The typical unit trust makes charges of 6 per cent initially and 1.25 per cent annually, adding up to 31 percentage points over 20 years. This is more than twice the total of 13.25 percentage points over 20 years which was the limit in force before deregulation in 1978.

The dubious honour of running the highest-charging unit

trust goes to Fimbra member Knight Williams, according to the Association of Unit Trusts and Investment Funds. Four of KW's in-house trusts charge 6.39 per cent initially and 2.5 per cent annually, making a 20-year total of 56.39 percentage points - more than four times the pre-deregulation level.

The accompanying table

shows a selection of low-charging unit trusts with minimum investment levels low enough for personal investors.

Money market funds carry the lowest charges, followed by index-trackers - unit trusts which mirror the performance of a stock market index.

Although unit trust managers already have to declare initial and annual charges, Miller says investors find the

long-term effect of these apparently small numbers hard to grasp.

Part of the reason is that, until recently, high charges have been masked by long-term rates of return of between 10 and 15 per cent a year.

An annual charge of 1.25 per cent would knock 8 per cent off a 15 per cent return but it would demolish 25 per cent from a 5 per cent return.

"The US system makes charging policies crystal clear and the result is widespread competition on charges," said Miller, who suggests that applying the US system in Britain could help unit trusts gain investor confidence and increase their share of the savings market from the current 3 per cent to something more like the 17 to 20 per cent savings market share of American mutual funds.

The leading exponent of low-cost funds in the US is Vanguard, group of Valley Forge, Pennsylvania, now ranked second to Fidelity in size, having climbed from \$7bn assets under management in 1983 to

around \$114bn. (in the same time, Fidelity grew from \$26bn under management to \$211bn.)

Vanguard charges 0.4 per cent annually on equity funds against an industry average of 1.34 per cent, and 0.26 per cent on bond funds against an industry average of 0.65 per cent.

Last year, a comparison by Morningstar Inc., the Chicago-based financial services and information firm, found that Vanguard's bond funds had averaged an annual return of 11.32 per cent over the past 10 years against Fidelity's 10.83 per cent, allowing for charges and expenses. Over five years, Vanguard's return on bond funds was 11.23 per cent against Fidelity's 9.9 per cent.

But Fidelity was ahead on equity funds which had produced an average return of 14.01 per cent over 10 years and 16.23 per cent over five years, against Vanguard's 10.83 per cent and 12.52 per cent averages for the same periods.

Jack Bogle, chairman of Vanguard, is also a believer in the concept that a randomly-selected portfolio of stocks often

performs as well or better than stocks picked by professional fund managers.

"Under good and bad management alike, a fund provides

## LOW CHARGE EQUITY FUNDS

Fund	Minimum investment	Charges % initial/annual	Performance and sector ranking	5 yrs
			1 yr	3 yrs
<b>UK EQUITY GROWTH</b>				
Fleming Growth	10,000	0 1.5	96.80 10	125.20 83
Lazard UK Capital	5,000	0 1.0	103.44 26	130.53 72
Mutual UK Growth	500	1 1.5	102.55 52	118.81 106
Sector avg/no. of funds			98.92 143	131.43 131
<b>UK EQUITY GENERAL</b>				
Fleming Income	10,000	0 1.5	102.32 20	120.08 54
Gartmore UK Index	5,000	0 0.5	103.12 11	135.26 20
Lazard Income & Growth	5,000	0 1.0	104.49 5	135.83 18
Sector avg/no. of funds			98.94 111	127.43 95
<b>UK SMALLERS COS</b>				
Abertoft UK Smaller cos.	5,000	0 0.8	106.81 20	159.51 17
Clementine UK Smaller cos.	5,000	0 0.4	105.49 16	147.88 29
Dimension Smaller cos. Growth	5,000	0 1.5	107.02 25	160.54 26
Mutual Smaller cos.	500	1 1.5	106.77 19	174.72 5
Sector avg/no. of funds			106.53 68	149.03 60
<b>UK BALANCED</b>				
Cazenove Utility & Bond	3,000	0.2 0.5	104.21 2	-
Sector avg/no. of funds			99.93 43	-
<b>INTERNATIONAL BALANCED</b>				
MW Joint Investors Balanced	10,000	0 1.5	109.79 2	130.98 10
Sector avg/no. of funds			101.09 25	131.68 19

Source: Amtif, Micropal, unit trust groups. The table shows the performance of £100 invested to July 1 1994 (offer to bid, not income reinvested).

Funds Irwin). "All other things being equal, lower costs mean higher returns."

Barbara Ellis

## The Professionals

## A discreet lifting of the skirt

Joanna Slaughter visits Cazenove in a series on private client investment managers



Discretion is of prime importance in the private client department of stockbroker Cazenove & Co, so much so that the firm's partners decline to be quoted by name in the press. As a spokesman says: "We have never advertised. But we must occasionally raise our profile."

Cazenove's most public piece of profile-raising was probably the launch of its unit trust subsidiary seven years ago, which one partner described as "Cazenove lifting its skirts a little". The skirt-lifting was designed to provide the firm with a shop-window. The holdings in the core trust, the Cazenove Portfolio Fund, which has a minimum investment of £5,000,

replicate those of a typical private client portfolio.

The private client division of Cazenove Fund Management uses unit trusts where appropriate - a spokesman reckons a portfolio needs to be worth some £1m before it justifies a direct investment in individual overseas stocks - but its fund managers will not necessarily choose the house collective funds for clients.

Cazenove & Co is an independent partnership, wholly-owned by its 60 partners, and Cazenove Private Client Portfolio Management acts in an agency capacity on behalf of its clients.

Two partners oversee the private client department, and 15 managers look after clients' portfolios, assisted by nine deputies.

All new clients are interviewed by a partner, who

assesses their investment requirements, and places them with the fund manager most suited to them.

Private clients come from partners' families and friends, from the families of companies that Cazenove has brought to the public, and from personal introductions from solicitors and other advisers. Cazenove accepts new clients only on a discretionary basis and they must use the firm's safe custody arrangements.

There are no fixed fees. Clients pay a sliding scale of commission and a 0.1 per cent safe custody fee. Cazenove robustly defends its adherence to traditional charging practices, arguing that a fixed annual fee "encourages you to do nothing

for a client. We think commission is fairer to clients."

Portfolio valuations that are sent to private clients, show the performance on the first page; every transaction is itemised; and the client is provided with an income audit trail.

The house investment style is described as "international and equity-orientated, tending to the conservative, with a little spice here and there".

The private client fund managers aim to create strong diversified equity portfolios, and they have access to the research and resources of the whole firm. The Cazenove UK investment research department follows some 350 companies, and Cazenove's position as a corporate broker provides a ring-side seat for new and smaller companies.

Cazenove is broker to 51 companies in the FTSE 100 share index, thus providing private client managers with opportunities to meet these managements. The firm has offices in North America, Europe, Japan, South East

Asia, Australia and South Africa, which feed macro-economic and corporate information to the UK fund managers.

The managers looking after private clients have a daily briefing from Cazenove & Co, whose research department provides a list of recommended stocks, but there is no compilation to buy these.

The conclusions of the asset allocation committee, which meets every three months, are tailored for each portfolio, in line with client requirements.

Currently the recommended private client portfolio weighting is 51 per cent in UK equities, 6 per cent in Europe, 5 per cent in Japan, 5 per cent in the Far East, 3 per cent in the US and 1 per cent in emerging markets. The remaining 28 per cent is in cash and index-linked gilts.

The figure for cash is historically high but Cazenove has been cautious for some time, partly due to uncertainties surrounding US interest rates and the expectation that UK interest rates have bottomed out.

Cazenove is uncommon in imposing no minimum investment, and there is a huge variation in the size of the private client portfolios. Sums of less than £100,000 are likely to be directed to the unit trust subsidiary but the spokesman says: "We think it is quite inappropriate to have a minimum investment written in stone. A young member of a family is not going to be turned away, if he has only £50,000."

## Investment managers: factfile 6

## Cazenove

(Cazenove Fund Management)

Established: 1823

Regulator: SFA

Number of offices in UK: Three (London, Salisbury, Jersey)

Number of offices worldwide: 9

Funds under management: £3bn (private clients); £3bn (total)

Number of UK private clients: 3,000

Number of expatriate/foreign national private clients: 150

Minimum investment for private clients: No rigid rules

Current asset allocation for private clients: UK equities, 51%; overseas equities, 20%; cash/bonds, 29%

Average annual portfolio turnover: 30%

Fees: Discretionary clients, sliding commission plus 0.1% safe custody charge

Account	Telephone	Notice/term	Minimum deposit	Rate %	Rate % paid
<b>INSTANT ACCESS A/cs</b>					
Birmingham Midshires BS	0845 720721	Postal	£200	5.00%	Y/Y
Brighton & Bognor BS	0845 242248	Postal	£1,000	5.40%	Y/Y
Skipton BS	0756 700311	Instant	£2,000	6.10%	Y/Y
Nottingham BS	0802 481444	Postal	£25,000	8.00%	Y/Y
<b>NOTICE A/cs and BONDS</b>					
Exeter Bank	9382 391741	9 Day Call	£1,000	5.00%	My
City & Metropolitan BS	081 464 0814	Super 60	£10,000	6.00%	My
National Counties BS	0372 742211	60 Day	£20,000	6.50%	My
Yorkshire BS	0800 378858	90 Day	£50,000	7.15%	My
		Fixed Rate Bond	£5,000	8.00%	My
<b>MONTHLY INTEREST</b>					
Banbury BS	0892 391741	Capital Trust	£2,000	5.75%	My
Confederation Bank	0489 745000	Monthly Income	£10,000	6.25%	My
Scarborough BS	0890 590578	Scarfash 94	£20,000	6.75%	My
Bristol & West BS	0272 294271	Fixed Bond	£5,000	6.25%	My
<b>TESSA (Tax Free)</b>					
Confederation Bank	0488 744500	S Year	£2,000	6.00%	Y/Y
Hinckley & Rugby BS	0455 238234	S Year	£3,000	6.75%	Y/Y
Melton Mowbray BS	0504 63				

## FINANCE AND THE FAMILY / SMALL BUSINESS

# Questions of life and Aids

An HIV test may still signify high risk in spite of a new ruling, says Debbie Harrison

**T**he tough discrimination policy of UK life offices against people who have been tested for the HIV virus, which is thought to cause Aids, was apparently relaxed this week and should lead to rate cuts for life assurance policies and endowment mortgages.

But insurers may still regard those who have sought the test as high risk. Although the information would not be on the proposal form, it is readily available from applicants' GPs.

The controversial questions on HIV testing, introduced in 1987, asked if the applicant had ever had a test for HIV or sexually transmitted diseases. The Association of British Insurers this week said that insurers should withdraw this question and instead ask if the applicant has ever had a positive test result or undergone treatment for HIV or sexually transmitted diseases. The ABI said it was prepared to change the wording because Aids-related claims since 1987 - estimated at 250m - were much lower than expected.

Men and women who voluntarily sought the HIV test were classed as high risk and either had to pay much higher premiums or in some cases were refused cover. In 1988, when insurers' fears about Aids-related claims reached fever pitch, premiums for young single men rocketed, whether or not they had been tested in the year prior to the premium for an Allied Dunbar 10-year convertible-term assurance policy with a sum assured of £100,000 for a 20-year-old man rose from £816 to £2216 per month - an increase of 270 per cent.

The same year Scottish Life doubled its monthly premium rates for younger men while Friends Provident rates rose by 180 per cent.

The ABI says it expects some insurers to reduce these inflated rates now that the need for large reserves was less critical. Shopping around for the best value is still essential. Allied Dunbar now charges £14.80 for the policy mentioned above and existing policyholders benefit from the reduction, as well as new applicants.

Although you no longer need to

answer the question on the life insurance form asking whether you have had an HIV test, do not expect the company to tell you if you are masked. Our straw poll of companies the day after the ABI announcement showed that most were uncertain about what they would do to implement the change.

"Our underwriters will accept a questionnaire from an applicant who has scored through the HIV/Aids questions," said Clerical Medical, but they have not yet decided how salesmen should approach the subject. Abbey Life will be sending a circular to its salesmen and they can meanwhile refer questions back to head office.

Legal & General plans to reconvene its Aids working party, and with charming candour said that the speed of its own reaction would depend on whether the competition seemed to be moving faster.

**E**ven when insurers produce new forms which drop the question about Aids-testing, they will still be able to find out whether you have had an Aids-test from your GP's medical records. Ivan Massow, an independent financial adviser who specialises in insurance for gay men, said: "GPs naturally will test patients about their sexual history and number of partners and this will go on file. All this information will be available to the insurer."

Every life insurance proposal form asks for permission to contact the prospective client's GP - a practice condoned by the British Medical Association (BMA) provided the patient has given consent. "People have no choice on the matter. You simply cannot get life assurance if you refuse permission. A handful of GPs do not co-operate with insurers' requests but most willingly oblige. With this right of access, insurers don't need to rely on the proposal form - they can find out anyway," said Massow.

Massow urged those who, for peace of mind, want an HIV test to continue to use sexually transmitted diseases clinics where confidentiality is "protected" by criminal law.

Ten years ago, my accountant arranged two policies for me, one an endowment, the other whole of life. Now the endowment has matured, he proposes to charge me 0.5 per cent on the proceeds for signing the maturity form.

His normal charge would be 1.1 per cent but, in view of the amount involved, he expressed himself willing to take the lower charge. This would give him £200 simply for signing the maturity form and a letter written by me to the insurers. But I knew nothing of this charge until 10 years after taking out the policies. Is this normal practice?

I have a further endowment policy written in trust which matures in four years. This involves one (different) trustee to whom I wrote some time ago but have received no reply. If he cannot be traced, how do I replace him?

Whether your accountant is entitled to charge a percentage on the policies' proceeds depends on the agreement between you and him when the policies were taken out.

If you are unhappy, the professional conduct department at the Institute of Chartered Accountants might be able to assist you. The address is: Gloucester House, 339 Sibury Boulevard, Milton Keynes, Bucks MK9 2HL.

You can replace trustees on the present policies by writing to the companies concerned in order to verify who has the power to appoint trustees.

It might be possible that, as settlor, you have this power; if so, the companies concerned could supply you with forms in order to make the necessary changes. (Answer by Murray Johnstone Personal Asset Management).

## Worthless certificates

I own 200 shares in Norton Group plc, which crashed last year with debts of £7.5m. I understand that a Canadian entrepreneur has bought the old Sheenstone factory at a knock-down price. Is my share certificate worth anything or should I frame it?

Your share certificate is almost certainly worthless. Unless it is particularly artistic, framing would merely be throwing good money after bad. (Murray Johnstone).

I hold shares in Ferranti which are obviously a total write-off. As I am unable to dispose of these shares in the market:

1. By what procedure am I able to realise the losses for

CGT purposes?

2. Could this be done on the last day of the present tax year to maximise indexation benefit?

To qualify for maximum indexation and to minimise the risk of forfeiting all indexation (by failing to get the claim into the inspector's hands by the end of the tax year), you should, on Saturday, April 1 1995, write to your tax office along the following lines:

"In accordance with section 24(1) of the Taxation of Chargeable Gains Act 1992, I claim that the value of my holding of [state number] shares in Ferranti International plc has become negligible, namely . . . and that I should therefore be treated as if I had sold that holding for that sum today, April 1 1995, and had immediately reacquired it for that same sum, in circumstances falling outside section 105(1) of the Taxation of Chargeable Gains Act 1992.

If by chance you reach the £10,000 limit for indexation losses (between November 30 1993 and April 5 1995, inclusive), the result of actual disposals etc, then the timing of your negligible-value claim will not matter.

Some years ago I bought some shares in a company called Equity & General which went bankrupt and I have found out that the Inland Revenue declared shares in this company to be of negligible value from 14 September 1990.

I have not previously entered the loss on my tax returns but now need to do so. How do I do this? I would like to use part of the loss in the tax year 92/93 and part in the tax year 93/94. Is this possible and to what date should I index the loss in each case?

The revised version of extractary concession D28 (which permits retrospective negligible-value claims) was published at the end of May. It is too long to quote, so you should ask your tax office for a copy; if you have any difficulty, write to the Inland Revenue Public Enquiry Office, Somerset House, Strand, London, WC2R 1LB.

**S**hortly after Prague's "velvet revolution" of November 1989 an enterprising Welsh bride, and her chartered accountant husband, started hawking brightly coloured T-shirts from a rucksack to the first tourists to this baroque jewel of a city.

Four years later, Melissa Woolf runs eight strategically-placed "Melissa" stores along the city's main tourist routes. She still hangs T-shirts from racks on the white-washed walls of her shop. But her main business, worth more than £2m last year, is selling Czech toys and exquisite Bohemian glassware. Her husband, James, has become one of Prague's biggest property developers. His company, Flow East, refurbished 60 city centre properties last year, turning crowded flats into smart offices and apartments and buying new homes for former tenants in the suburbs.

The Woofs came to Prague in 1990. They were unimpressed by the prospects in recession-hit Britain and intrigued by media coverage of enthusiastic crowds milling in squares of baroque beauty and the possibilities offered in a post-communist state. They found the opportunities the opening-up of a centrally planned economy presented for service industries such as tourism, retailing and property development. Their entrepreneurial flair and willingness to work a seven-day week has allowed both to build successful businesses.

**E**ven when insurers produce new forms which drop the question about Aids-testing, they will still be able to find out whether you have had an Aids-test from your GP's medical records. Ivan Massow, an independent financial adviser who specialises in insurance for gay men, said: "GPs naturally will test patients about their sexual history and number of partners and this will go on file. All this information will be available to the insurer."

James helps with the accounts and the property transactions. But apart from that, the two run their business lives separately.

James works from offices in his own refurbished building close to the city centre shared with tenants as varied as Satchi and Satchi, the German Tourist agency, two banks and lots of lawyers.

"I started operating on the principle that incoming foreign companies and local entrepreneurs would want to locate themselves in the heart of this beautiful but long-neglected city," he says.

"After investing heavily up front, however, most foreign companies are cutting back on expensive expatriate employees and training locals. They also expect rents and other expenses to be paid out of local income while the supply of refurbished office space is increasing all the time. So rentals have



The entrepreneurial touch: Melissa Woolf started by selling T-shirts from a rucksack. Now she owns eight shops in Prague

Anthony Robinson

## Private life in Prague

Anthony Robinson on a couple who found a gold lining in the velvet revolution

stabilised over," he says. Prague, he points out, is as big as a medium-sized British provincial town, such as Ipswich. But Ipswich, and similar towns in western Europe, developed on capitalist lines after the war. Prague in 1990 was different. Once-elegant shops, apartments and other properties were stolen from their owners, either by the Nazis after 1938, or by the communists after the Prague coup of 1948. Most were roughly converted into overcrowded communal flats, storehouses and the like, or allowed to decay for 50 years.

One of the priorities of the Czech republic's free market-oriented government has been to return as much property as possible to right

ful owners and sell state property. But the task is complicated. To whom, for example, should a property expropriated from a Jewish owner by the Nazis, then sold and later confiscated by the communists, be returned?

So James decided to buy only fully restituted properties with a clear owner. Once bought, his next problem is persuading tenants with low fixed rents to leave.

For most life in the city centre means over-crowded, badly-maintained flats. James employs a small staff to comb local newspapers for property in the suburbs. Janes takes on behalf of tenants who thus become owners of their own homes - leaving him the empty buildings.

"The property market here is about buying, refurbishing and renting. A resale market has not emerged yet, but it will," he says.

Until capital value can be unlocked by resale, cashflow profit is ploughed back into the business. It is a similar story for Melissa, whose company has no debt and is financed from retained earnings.

"We have three Czech construction companies working for us full time and the quality of their output is rising steadily. Many are Yugoslavs or Russians. They work seven days a week, nights as well if required," James says. "It takes only six to seven weeks to convert a flat in Prague which would take three to four months in London."

James looks after the legal and financial side of the business. His partner, Stephen Davis, oversees the construction. Problems include finding good, loyal staff - not easy with unemployment in Prague only 2.5 per cent - and the bureaucracy. Companies employing more than 25 workers are subject to wage control and there are fines for slow or non-payment of VAT at 23 per cent.

Finance is less of a problem, thanks to the establishment of foreign banks. "Komercni Banks, the biggest Czech bank, is only prepared to lend for a maximum of four years at 14.5 per cent, or seven years by private treaty. But why bother when you can get 10-year loans from German and Austrian banks with less hassle?" As for UK banks, they have missed out on this market completely," said James.

## Accountant asks £200 to sign letter

### Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All enquiries will be answered by post as soon as possible.

give them the necessary information as a matter of course.

By living in the house in question, and giving judiciously timed main-residence notices (first in favour of that house, and then in favour of their present residence, probably with appropriate periods of retrospect), each of them could reduce her prospective CGT bill on the sale of the house, without producing an unacceptable CGT bill upon any sale of her present residence. It should be possible (as the law stands at present) for the prospective CGT bill on the other inherited property to be mitigated in a similar way.

The rules are complex and arbitrary. Your daughters should seek guidance from the solicitor who acts for them in the house sale. As a first step, they can ask their tax offices for the free pamphlets CGT4 (Capital gains tax owner-occupied houses) and CGT14 (Capital gain tax: an introduction).

The new version of concession D28 appears to have been written in a hurry so we shall not be surprised if you find it difficult to understand. Please come back to us after reading it, with the full background facts, figures and dates (including a note of what elections you have made - rebasing, pooling etc.). Without precise data, we cannot say whether it is possible for you to make a negligible-value claim for only part of the shareholding; there is no universal answer, but the most common one is NO.

If the company no longer exists (if it has been struck off, for example), you will automatically be deemed to have disposed of your shareholding on the day on which it ceased to exist, by virtue of section 24(1) of the Taxation of Chargeable Gains Act 1992.

If there are tax implications, should I be making any "main residence" declarations to the Inland Revenue to minimise or avoid the liability?

The solicitor who acts for you in the purchase - will be able to guide you on the question of the timing of main-residence notices (under section 222(5)(a) of the Taxation of Chargeable Gains Act 1992). In the meantime, to get an idea of the arbitrary rules laid down by parliament, ask your tax office for the free leaflet CGT4.

Your solicitor's advice is likely to be broadly along the following lines:

■ Your daughters are deemed,

for CGT purposes, to have

acquired the houses at their

grandmother's death from

their grandmother. These are

valued at £25,000 and £28,000,

with sitting tenants. If one

becomes vacant and was sold

for approximately £50,000,

how would CGT be calculated?

■ Would it make a difference if my daughters lived in the house before selling?

■ Your daughters are deemed,

for CGT purposes, to have

acquired the houses at their

grandmother's death from

their grandmother. These are

valued at £25,000 and £28,000,

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for CGT purposes, to have

ac

## HOW TO SPEND IT

# The coolest ways to fight the summer heat

*Lucia van der Post becomes a fan fan, finds that Y-fronts have shrunk and recommends mail-order make-up and beads*

**G**ood news for chaps: the new improved Y-front by Jockey is about to hit the shops. Now you might think that there was little anyone could do with Y-fronts, that they were one of those all-time classics that should not be tampered with.

But I have to tell you, you would be wrong.

The boys at Lyle & Scott are very excited by their recent discovery that there have been serious flaws in all previous thinking about sizing - no one, it seems, had ever bothered to measure this rather intimate area correctly.

As a result, Y-fronts, in common with all other underpants, were simply enlarged proportionally all round as they moved from little waists of 26 to gigantic ones of 54. After getting wives, girlfriends and even boyfriends to take a host of measurements, they discovered that while tums and bottoms varied hugely in size other measurements (most importantly the one from the navel to the top of the pubic bone) varied by an infinitesimal amount.

As a result, the portion of the underpants that covers waists and bottoms is now sized appropriately while other measurements, from the middle down to the pubic bone, remain more or less static. This, it seems - and here I have to rely on the reports of the panel - results in much greater comfort and makes sure the double gusset is perfectly aligned.

The new Y-front incorporates



Size matters: Y-fronts have been remeasured and resized for a better fit

old - in particular the waistband (as integral to the design as the bumper is to the BMW). Made of woven elastic which has great flexibility (did you know your waist can expand by up to 5in when you sit down?) it is the key to the Jockey design.

Whereas most men's underpants are sized simply as S, M, L and XL, the Jockey Y-front is sized in inches all the way

from 32in to 58in (Marks and Spencer's XL Y-fronts go up to 48 inches).

It is still made from fine ribbed 100 per cent cotton, just as it was on that momentous day in 1935 when Marshall Fields of Chicago filled a window with the new Y-front underpants and sold out by mid-day. At £4.25 for a classic brief (three for £10.99) it still represents value for money.

I am one of the last of those Luddites who prefer fresh air and open windows to air-conditioning. To me, not the least of the charms of third world countries is their tendency to have hotels where you can still open windows by hand and can figure out how the taps turn without the aid of an instruction manual.

But, thanks to the recent heat wave in the south of England, even I have begun to think that maybe a little cooling air around the house might not come amiss. In Britain's climate a complete air-conditioning system, with attendant costs and disruption to the household, would scarcely seem worthwhile. But for the sort of sultry nights and stifling days that we have been having recently, a portable fan can make a lot of difference for a comparatively small outlay.

You could spend as little as £1.99 for a small clip-on plastic fan by Pifco (clip it to desk or bedside table) or as much as £138.75 for the largest floor-standing Cinni. Cinni is the label most approved of by the style police, a classic of the world of whirling air, trailing overtones of ethnic chic, made as it is in India. It is, however, quite noisy, although I find the steady whirr quite soothing, romantic almost, reminding me as it does of tropical nights and sultry B-movies.

Made of metal, either shiny chrome or painted matt black, there are table-top models (£22.50) and the 4ft high pedestal version (£185) which could cool a good-sized room. Stocks of Cinni fans are running low in many of their usual outlets (Harrods, John Lewis) but the Freud Shop, 198 Shaftesbury Avenue, London WC2 (tel: 071-831 1071) has a good supply.

Xpelair offers a rather charmingly straightforward fan of the sort that is found in offices and hospitals up and down the UK. It is defiantly untrendy and non-nonsense to look at and does the job of moving the air around very efficiently. The noise level varies but the two and three-speed models are quiet enough for bedrooms if kept at the lowest speed. Higher speeds are noisy but move more air. Sizes range from small table-top models just 8in in diameter to a pedestal version 16in in diameter and 60in high.

The funkiest fan, though, has to be the one Viking Direct (suppliers of office equipment) is giving away free if - here's the catch - you spend £150 on one of its computers first. It looks as though it has been designed by Ettore Sottsass of Memphis fame, has the visual charm of a small sculpture and runs on batteries - you simply press a button and it produces a pleasing whirring and cooling of the air. It is small enough (about 16ins high) to be very portable. (Tel: 0800-424444).

Those heading for enclosed spaces such as opera, theatres or tented marqueses (last Sunday the temperature in the Cartier tent at Smith's Lawn was reckoned to have risen to 110°F and it certainly felt like it) might like to have their own little folding fan.

The Spotted Duck, 115 Fulham Road, London SW6, has a beautifully carved sandalwood version which smells exotically

of spice as you wave it about. For serious air cooling, the most popular portable domestic device is the Holiday One refrigerated air conditioner unit made by Carrier. It normally costs £1,135 (currently £999 in Selfridge's sale) and will cool a fair-sized room.

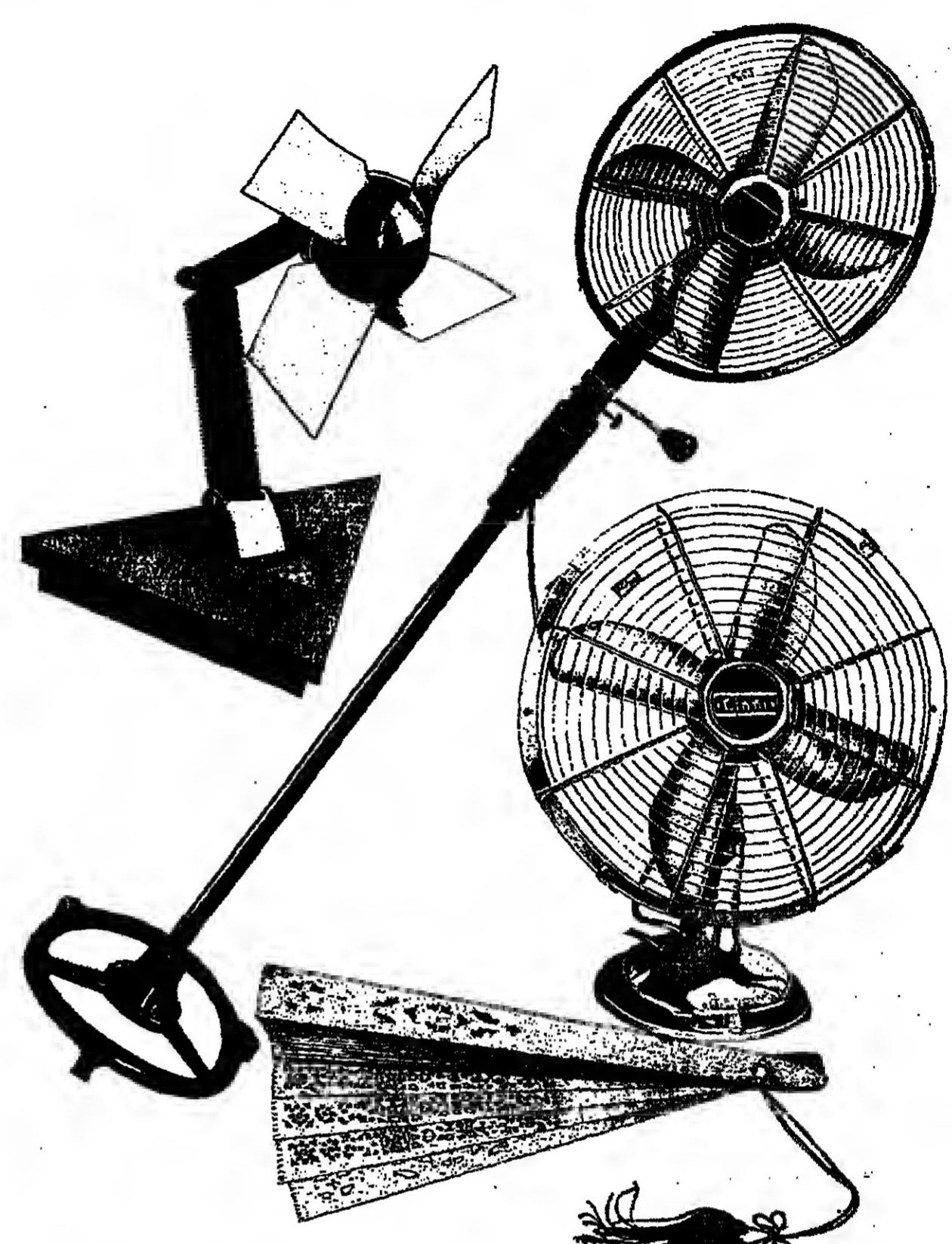
**M**ost mechanical oscillating fans operate by moving existing air around but, for those who have been suffering from pollution this summer, it is worth knowing that there are ways of improving the quality of the air itself.

Valerie Taplin, who runs the Air Improvement Centre at 23 Denbigh Street, London SW1, says that the levels of air pollution have brought her many new customers this summer, many looking for cleaner air.

Her air purifiers sell at prices ranging from £50 for the smallest to £500, depending almost wholly upon size and capacity. These are basically boxes which are plugged into a socket and suck in dirty air at the back and expel clean air through the front, ionising it on the way. Most have two filters - a carbon filter which takes out gaseous pollution (exhaust fumes and the like) and an electro filter that takes out particulate pollution (unburned hydrocarbons, soot, lead oxide from traffic exhaust). The ioniser recharges the air and revitalises it, putting back in the negative ions (which Valerie Taplin describes as being like "vitamins of the air") which polluted city air is low in.

These air purifiers do not cool the air but make a difference to those with breathing problems. Valerie Taplin offers an emergency service for those in distress - she has delivered humidifiers in the middle of the night to a tracheotomy patient, an opera singer and many asthmatics.

Come the hot weather, though, it is inevitable that the shops are out of fans - just as you can seldom buy a bikini when the summer is at its height ("Modem, they were all sold out in January"), or a hay fever remedy in the hay fever season ("everybody has been asking for it" was my local chemist's excuse for being out of Reconstitute). My advice is this - never mind if your local high street is looking like a frozen tundra, buy a good fan if you see it and next time the weather is sweltering you will be smiling.

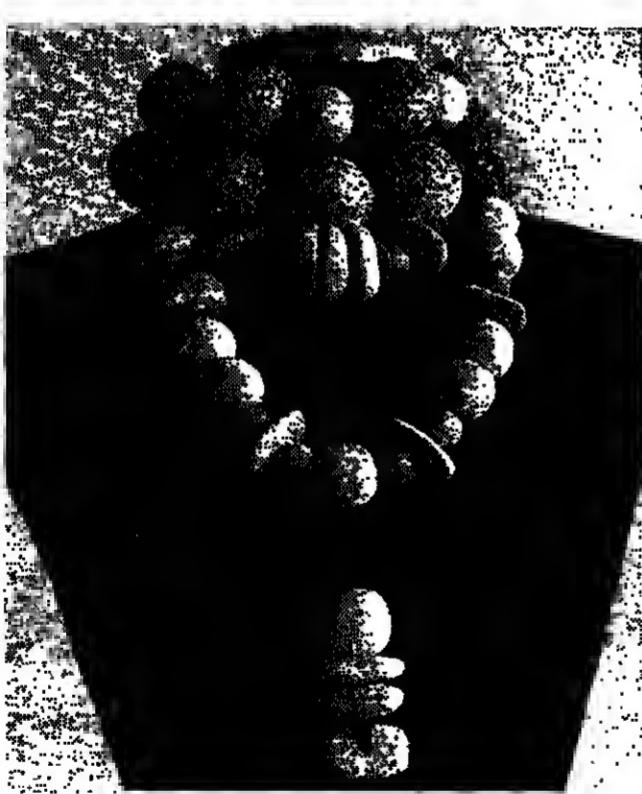


Make summer a breeze: Viking Direct fan, portable fan (top left) is free if - and here is the catch - you buy £150 worth of office equipment from Viking Direct first. The 4ft-high free-standing model by Cinni (top right) costs £185, the small table-top Xpelair fan (centre right) is £22.50 and the hand-held sandalwood fan (bottom) is £2.50 from The Spotted Duck, 115 Fulham Road, London SW3

Illustration: Anthony Lloyd

**M**aking my own necklaces has not been the kind of occupational therapy that I have ever aspired to. But Janet Coles sells beads of such beauty and diversity that she could tempt me. Her mail order brochure is beautifully produced - the beads presented in an ordered fashion with plenty of ideas for creating necklaces, jewellery and bracelets, writes Lucia van der Post.

You do not need to be a flintstones fan to appreciate the latest collection - all ancient stones, prehistoric-style pendants and neolithic-style necklaces. Necklaces shown here can all be made with materials bought from Janet Coles either by mail order (Ferdinand Cottage, Billfold Road, Worcester, WR3 8QA, 0905-755888) or from her shop, Janet Coles Bead Emporium, 128 Notting Hill Gate, London W1. Pendants in kit form are £5, made-up about £7. Chunky necklaces cost between £9.95 and £21 in kits, and £13.50-£25 made-up.



## Shoes that trod the hippy trail

*Birkenstocks are both fashionable and comfortable, writes Lucia van der Post*

**T**here are some products which have relevance and value regardless of time and fashion. Birkenstock shoes are such a product.

Whether you are three years old and not very steady on your feet, or 80 and feeling frail, Birkenstock will make sure you are happy and comfortably shod. In between these two extremes, Vougeot rush around town wearing Birkenstocks and the most laid-back, comfortable-looking guest at a

London summer drinks party recently was a chic visitor from Florida's Key West sporting a soft, linen suit, collarless linen shirt and... yes... Birkenstocks.

Birkenstocks were the original hippy shoe bought by free-

loving Woodstock fans, earnest ramblers and vegans who delighted in the plastic versions. Now they have suddenly become transformed from merely practical footwear into cult status.

In the summer of 1991, The Face magazine showed the then unknown Kate Moss wearing them in photographs by Corinne Day and made all the style cognoscenti take notice.

Hotshot designers began to take the basic models and customise them for their catwalk shows - Perry Ellis added pink satin and diamante buckles while Kohji Tatsuno showed them in glittery silver.

Today much of their charm lies in their universality - they are that elusive product, both widely accessible and infinitely chic.

By the footwear standards of today they are modestly priced ranging from £19.95 to £69.95.

Their fans are legion. Harrison Ford, Whoopi Goldberg, Joan Bakewell, Koo Stark, Victoria Wood, Julie Walters and Maggie Smith all saunter around in them.

For those who have never heard the name, Birkenstock is a German shoe company dating back to the 18th century. It rose to modest fame in the

1960s when Karl Birkenstock combined the arched insoles with a footbed and straps, creating the now familiar sandal.

This sole (or "footbed") is the

characteristic and the source

of its particular comfort. It is

made from cork (recyclable, of course) and moulds and supports the foot.

Those who are new to Birkenstocks say it can take a while to become accustomed to the toe grips and the arch support but, once hooked, you become a life-long wearer.

in winter Birkenstock aficionados swap the open sandal for the closed-in shoe styles with names such as Boston or London.

There are still ranges for vegans, made with no animal products, but the model most favoured by the chic set is the Arizona, in leather and suede at £49.95. This chimes perfectly with the 1990s feel for natural linens and eco-friendly products.

The Natural Shoe Store, which sells them in the UK, prefers customers to come in and be properly fitted but, as there are just three branches (21 Neal Street, London WC2; 325 Kings Road, London SW3; and 22, Princes Square, Buchanan Street, Glasgow), it recognises that not everyone can easily reach them, so it has just launched a mail order catalogue.

This catalogue lists all the styles, prices and materials and includes charts to enable you to trace your foot shape precisely.

Do not be worried that at first sight the shoe or sandal seems alarmingly large - this is part of the support system. Try them on a soft carpet before rejecting them. Ring 0800-132-194 for a free catalogue.



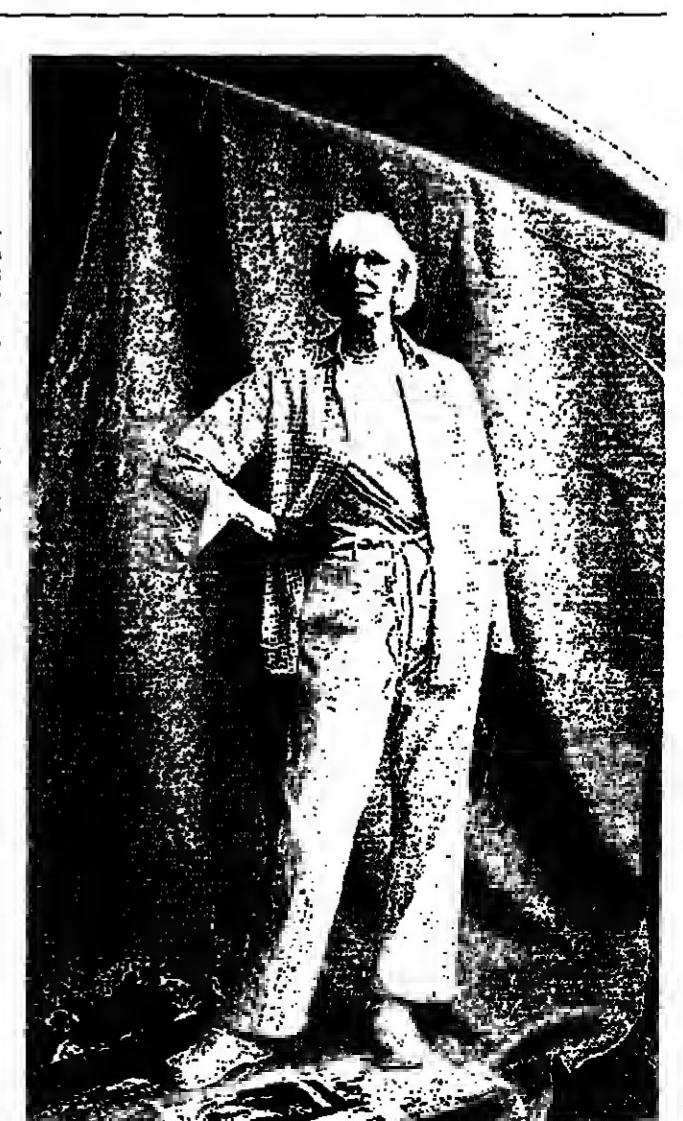
Pregnant and comfortable in brown leather Milano (£54.95)

1960s when Karl Birkenstock combined the arched insoles with a footbed and straps, creating the now familiar sandal.

This sole (or "footbed") is the characteristic and the source of its particular comfort. It is

made from cork (recyclable, of course) and moulds and supports the foot.

Those who are new to Birkenstocks say it can take a while to become accustomed to the toe grips and the arch support but, once hooked, you become a life-long wearer.



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## PERSPECTIVES / FOOD AND DRINK

# Highland regiments hear the last post

*The Queen's Own Highlanders fear peace-time defeat. Christian Tyler visits the regiment on the eve of amalgamation with the Gordons*

**S**ilver goblets are carefully set in front of each officer's place along the polished mess-table. But closer inspection shows their design is not uniform. The first is embossed with a stag's head, the next with a thistle and crown - and so on, alternately, around the table.

Like the clash of green and red tartan in the paintings on the walls, the goblets proclaim the amalgamation 33 years ago of two clan regiments, the Seaforth Highlanders and Queen's Own Cameron Highlanders.

Today the product of that merger stands on the brink of another merger. The Queen's Own Highlanders (Seaforth and Camerons) will acquire more goblets, more tartan, more customs, when they are united this September with the Gordon Highlanders from the Grampian region to the east. Foreigners from Aberdeen with strange accents and - so it is rumoured - Danish blood.

More than 30 British regiments are being reduced or merged in the present round of cuts, to predictable cries of pain. Some soldiers see in this the beginning of the end of a regimental system which is reputedly the envy of the world.

To the men of the Queen's Own Highlanders a stroke of the pen in Whitehall feels like a bayonet in the guts, for Highland soldiers enjoy more than a shared history and regimental loyalty: they are bound, in a way English regiments no longer are, by ties of territory, clan and family.

While the rest of the British army struggles towards the classless society, theirs remains in some respects a feudal world. The officers - some still lairds in uniform - are mostly the well-spoken products of English public schools. As one young bachelor officer quipped when asked where he came from: "The Highlands of Chelsea." They command men they call "jocks" who in civilian life could easily be their estate workers or gamekeepers.

Highland regiments enjoy a cachet unlike other infantry units. There are few sights more stirring than a Highland regiment on ceremonial parade: a mounted pipe major at the head, feather bonnets nodding, kilts swinging, kettle-drums rattling and bagpipes wailing. A piece of theatre, maybe, but more than that - an expression of collective pride powerful enough to silence the most sceptical voice.

That pride was poignantly displayed recently when old soldiers of the Seaforth Highlanders commemorated the 200th anniversary of the raising of the 78th Highlanders (Ross-shire Buffs), their regimental ancestor, by Francis Humberston Mackenzie, Lord Seaforth.

In untypically brilliant sunshine, with the tops of Ben Wyvis uncovered behind them, they marched in column of three behind a pipe band of their own veterans through the streets of Dingwall on the Cromarty Firth. On the same day, at the southern end of the Great Glen, another band of old soldiers was parading through Fort William in memory of Alan Cameron of Errach, founder of the 79th Cameronian Volunteers.

Poignant, too, was the moment in the chapel of Fort George, the 18th century garrison which juts into the



The power of tradition: Colm Fitzgerald, ancestor of the Mackenzies of Seaforth, rescues King Alexander III of Scotland from the fury of a stag in this painting by Benjamin West.

Moray Firth near Inverness, when the regimental chaplain, the Rev James Harkness, quoted from Isaiah: "Consider the rock from which you areewn, the quarry from which you are dug." Watched by their colonel-in-chief, Prince Philip, the two clans combined for Beating the Retreat at the Cameron Barracks in Inverness, marching off to the air of the Mackenzie chief, *Cubor Feidh*, while the setting sun glared from the red sandstone of the barracks. It was spirited but solemn: a celebration, and a funeral march.

A campaign to prevent the merger was launched by old soldiers on both sides, but apparently too late to have effect. The "old and bold", as the Queen's Own Highlanders call their veterans, say the merger is unfair on two counts: that the QOH has barely digested its last amalgamation and that it is being penalised for the Gordons' recruitment difficulties. They hoped - still hope - that a big UN peace-keeping force will be called for in Bosnia, further stretching an already overstretched British army and thus saving their battalion.

There is resentment about those regiments which, because of political influence or logistical need, will come through diminished but undiluted. "The politicians seem more worried about the Highlanders of Kathmandu, the Gurkhas, than us," said Col Andrew Duncan, a former commander of the regiment. "And why should there be three battalions of paratroopers when you cannot safely parachute into battle ever again?"

Sgt John Rattray, a master tailor, complained: "We don't have enough people in Parliament. There's quite

kilts and customs," he said briskly, "but people."

His problem is to maintain morale through a reduction of the 555-strong battalion which will hurt the careers of his officers and NCOs and threaten unemployment for his men. "If I was a retired officer it would be extremely upsetting," he added. "I am upset, but I haven't got time to be upset. Anyway, it would need a miracle to prevent it now."

raised by their clan chiefs as much as anything to provide employment. And they are used to dying. The entire adult male population of Ullapool, the fishing port in the north-west Highlands, was killed in the two world wars, according to Major-General John Hopkinson, another former Seaforth and now Colonel of the Regiment.

"Our sarns (sergeants) mess is the oldest in the army. They are all real gentlemen," said Monroe. "Class is not important in this mess either, it's performance." These days, he said, respect had to be earned. "There is no room any longer for the chap who can hide behind a name or what he thinks he is."

Family connections and family feeling are the glue that binds these soldiers together. Many have followed brothers, fathers, grandfathers into the regiment: "it's all to do with family," said an NCO storeman from Fort William. In one company there had been no fewer than six brothers serving together.

Major Mike Wimberley, the second in command, was born in London and grew up in Sussex. But he has a Cameron tartan plaid spread over his desk: he is the fifth generation to join the regiment. For him, it is an extension of family life.

"The hardest thing to face," he said, "is that someone wants to do away with us, that someone can do away

with the living thing that is a regiment - that something created which worked extremely well that can just be wiped out at the drop of a pen. History doesn't count with government. It doesn't matter a damn to them how long we have been around. What matters is their ability to recruit and retain."

The last serving Seaforth in the QOH is the quartermaster, Major Murdoch Macleod from the Isle of Lewis. He is old enough to remember babysitting a little girl now married to one of the sergeants. "When you leave a civilian company," he said, "that's the end. But you are never, ever, retired from the Queen's Own Highlanders."

The last merger was made easier to digest by a posting to Singapore and action in Brunel. Few doubt that the impending merger with the Gordons can be made to work just as well, in spite of mutterings that their officers are not of the same calibre and jokes about their tartan having a yellow streak.

Arguments about who will wear what, and when, in the new battalion have largely been resolved. General Sir Peter Graham, colonel of the Gordons, was rumoured to have threatened to fall on his sword if the Gordons lost the kilt. So it will be Gordon kilts and Mackenzie trews for the soldiers, and Cameron kilts and Mackenzie trews for the pipers and drummers. In return the Gordons will give up their cap badge - the everyday emblem of the modern soldier - of stag's head and motto "Byrand" ("abiding") for the QOH stag's head with thistle and crown and Gaelic motto "Cuidich'n Righ" ("Help the King").

Thus traditions will fuse and a new sustaining myth will have to be invented. "We will have no trouble creating a history for the Highlanders," said a QOH officer. "But it has taken 20 years to get our identity accepted locally, it will take another 30 years for the new one."

But for how long can the regimental system survive such chipping and dilution? Field-Marshal Lord Carver argued 25 years ago that infantry regiments should be merged into single corps. He has few supporters in the QOH. "It is important to go into battle with friends, not acquaintances - to see the blue battice," said Capt Stuart Tootal, who saw action in the Gulf war where three men of the battalion were killed in the notorious "friendly fire" incident. "At the end of the day one of the biggest motivations is not to let your mates down, and I firmly believe in that."

Major Wimberley said: "We have asked them if necessary to lay down their lives for the Queen's Own Highlanders. You cannot easily ask them to switch off and say Now I am a 'Highlander'."

But there are some who feel the campaign against amalgamation is a case of old buffers resisting the inevitable. They say the tradition of local regiments, formalised only 100 years ago, is wasteful in peacetime and inefficient in wartime, however good it may be for *esprit de corps*. With many regiments, like the QOH, down to a single battalion the rationale is still further weakened.

"Why not put all the Highland battalions into one regiment?" suggested a QOH dissenter. "You could say they should have gone even further." No doubt they wanted to, but did not dare.

## Cookery/Philippa Davenport Feasts from the deli



**T**he lure of the stove fades fast in hot weather. Good eating still appeals - providing the dishes are light and fresh, not stodgy or creamy - but the less cooking involved the better. This is a time when good shopping comes to the fore and classy offerings from the delicatessen seem worth their weight in gold.

As good fortune would have it, the hot spell in southern England has coincided with the arrival in the UK of some fine foods from Italy.

**Masseria** is a small estate in Apulia, the heel of Italy. Its artisanal products are strictly seasonal and quantities are limited. Own-grown vegetables, ripened in the southern sun, are a speciality. Harvested in small batches when at their peak, they are cooked and preserved within hours, and this freshness is evident in the eat- ing in gold.

Unusual offerings include a vibrant green pasta sauce, made from the cooled and puréed tips of a sort of wild broccolini, *cime di rapa*. Even more noteworthy is a range of anti-pasti vegetables preserved in olive oil.

Of these the grilled wedges of artichoke are truly outstanding: the firm sweet texture of the fresh vegetable is retained and the delicate artichoke flavour shines through.

They are quite unlike most other preserved artichokes, which tend to be soft verging on soggy and mildly sozzled with an overdose of vinegar.

These Masseria artichokes are in their prime now, having been picked, grilled and bottled just recently. As the months go by they will soften a little. But supplies of this year's crop will be snapped up and eaten long before that happens.

Any day now Masseria grill-

almonds, walnuts and sultanas stored in honey are especially delicious. This is an ancient preservation method almost forgotten elsewhere.

Long-keeping foods are a hallmark of Sardinian cuisine. Traditional island breads include *pane carasau*, colloquially known as *carta di musica*, or music paper. Cracking, parchment-thin, it will keep for up to a year after baking.

Even longer lasting is *bottarga*, the salted and dried roe of mullet or blue fin tuna. This fishy treat is Sardinia's greatest delicacy and is so intensely savoury that only minute quantities are needed to kick-start the appetite. Just as well, for it is a luxury item in the caviar and truffle price bracket, food for high days and holidays.

One classic (and effortless) way to serve *bottarga* is shaved wafer thin or grated to a powder, sprinkled over a generous handful of rocket or broken pieces of *carta di musica* drizzled with olive oil. (The poor man's version substitutes sea salt for *bottarga*.)

This is a splendid dish for reviving jaded appetites on summer days, when I might prefer it with a thirst-quenching soup, well chilled and agreeably thin - made perhaps with Sardinian canned tomatoes, sieved to a puree, generously diluted with light stock or iced water, enriched with a splash of olive oil and aromatised with crushed fennel seeds and a sliver of garlic.

For further information about and stockists of Sardinian foods and wines contact EuroChoice. Tel and fax: 081-633 9422.

dinna), and sun-dried tomatoes stuffed with anchovies, herbs and spices.

There is also a San Giuliano extra virgin olive oil which, at less than £5 per litre, strikes me as a very agreeable, very affordable everyday olive oil; while from Sartori and San Remo in middle and southern Sardinia respectively come prize-winning *frittato* olive oils.

Casar's canned vegetables, from the Cagliari region in the south, include excellent pulses: canned lentils, borlotti and, best of all, large mealy white beans known as *fagioli di spagna*. The canned plum tomato products are the best I have come across.

The Sardinians, like the British, are notably sweet-toothed. Some of their biscuits and sweetmeats are Arab influenced. High fruit content jams include a fine bilberry,

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**Glenturret's variety**

**O**n the Scottish mainland few whisky distilleries are good to look at. The need to increase capacity during the boom years in the 1960s and 1970s transformed most of the primitive industrial sites into complexes of buildings looking more like factories.

The pagoda roofs on the maltings were levelled when the decision was made to bring in malt from elsewhere. In other cases, old warehouses were cleared when companies elected to age their stocks centrally, rather than at the distillery itself.

If you do not want to take my word for it, go to the Glenturret, you will soon see that the best view is from the inside looking out.

Yet there are a few notable exceptions. One is Strathearn in Perthshire. There are the two smallest distilleries in the Highlands. In many ways two working museums: Edradour, in Pitlochry, and Glenturret, just outside Crieff.

Glenturret lays some claim to being the oldest distillery in Scotland. The River Turret was particularly favoured by illicit distillers in the 18th century and it is believed that whisky was being made on the site of the present buildings as early as 1717.

The shell of the distillery dates back to 1775, half a century before the relaxation of the duties on distilled spirits which created so many of the larger operations on the mainland.

Glenturret continued to pro-

duce whisky until the 1920s. In 1927 the stills fell silent and remained so for 30 years. During this time the distillery was stripped of its equipment. Then, in 1957, the buildings were acquired by a Glasgow whisky broker called James Fairlie.

Fairlie was bored by his work and was looking for a more interesting line of business. He did not have a lot of money but he managed to get the place up and running by signing a number of hire-purchase deals. In that way he

they are able to pop into the distillery and watch whisky production in miniature.

The mash tun, for example, is so small there that it is stirred manually by a man with a paddle. The wash still, the most important of the two stills so far as quality is concerned, was replaced by a rather more sophisticated machine in the mid-1970s, but the old spirit still continues to be used.

Outside in the yard lies the

whisky casks in which the whisky spends its long years of maturing.

With hints of honeycomb and preserved fruits. This also comes in a high-strength version - 50 per cent alcohol by volume - with fruity, heathery notes.

Then come a series of weird bottlings. A 'copperistre flagon' revealed a 21-year-old whisky smelling of varnish. The varnish aroma was probably caused by sherry, but it was far from being my favourite in the range. Another 21-year-old came in an expensive cut-glass decanter. Again, this had matured in sherry wood. A third 21-year-old had been bottled at 43 per cent. This was a better balanced whisky with some additional floral notes.

Finally, there were three older whiskies from the golden age: the 1960s. This was the time when the whisky business was getting the best casks - before demand outstripped the supply of decent wood. The 25-year-old at 43 per cent was clearly from a bourbon cask. It smelled of sugar and butter being creamed together. A 1966 (27 years in cask) at 45.7 per cent was fruitier with a slight touch of that enchanting apricot and ginger character which is called *rancio* in Cognac. The 1964 Classic Vintage at 40 per cent had even more *rancio* character.

**Information:** Glenturret is open to the public all year round but opening times are restricted in January and February. Tel: 0784-626555. There is a bar and two restaurants on site which specialise in Scottish food liberally doused in whisky.

ration. Most of them are American wood 'hogies', constructed in Scotland from imported barrel staves. Old sherry hogsheads from Spain are also in evidence.

Scotland's smallest distillery, Edradour, pours all its production into one malt. Glenturret takes another path altogether. It bottles seven or eight different whiskies as well as a painfully sweet liqueur.

Glenturret is a heavy whisky and this is already noticeable on the basic eight-year-old with its honey and butter aromas. Outside the distillery it is the 12-year-old which one sees on sale most often. This is a mite peatier with a certain smokiness on the nose.

My favourite of the younger whiskies is the 15-year-old,

## TRAVEL

## Practical Traveller

# Keep on the right tracks in Europe

Not long ago I took a train trip from the bottom end of Europe to the top, from Marseilles to Helsinki, writes Nicholas Woodsworth. I did it because I had time - the journey, with a 12-hour stop in Copenhagen, required four different trains, two ferries, and took 63 hours.

I also did it because it was cheaper than flying, less than half the price. But most of all I did it because I enjoy trains.

There is perhaps not as much romance in European train travel as there was 50 years ago. But it still has its pleasures. Apart from some horrendous delays, atrociously cramped seating and one or two dodgy landings, I cannot say I have any clear and lasting memories of airports or flights I have taken; such things are anonymous and without character.

Yet I clearly remember train trips from years ago. If you want a physical sense of Europe, a feeling for changes in its climate and countryside and cities, if you enjoy chance encounters with its inhabitants, then trains are the best way to see the continent.

Old tales of Italian peasants exuding garlic in stuffy compartments during interminable journeys are no longer worth telling. Rail travellers in Britain may have continuing grounds for complaint, but European mainland rail travel is now seen as the transport of the future - services and networks on the whole are comfortable, reliable and fast.

The French TGV - *train de grande vitesse* - that I took between Marseilles and Paris, for example, takes just a little over four hours, and from city centre to city centre rivals flying for rapidity.

While most of the hardware on the continental rail network is impressive, I found the software - the vital information necessary to a complex network - less satisfactory.

It may vary from country to country, but railway employees throughout the continent

seem to regard the provision of travel information as a special favour. In Marseilles the man behind the counter was too busy and bothered to look into an alternative to the inconvenient routing he first suggested.

Even in Copenhagen station, that model of Nordic efficiency, I was sold a ticket for a service that did not exist at the time promised. On the German train to Denmark, I saw an elderly American couple come close to nervous collapse because their carriage attendant had failed to tell them that the train split at Aachen. They emerged from a dining car in the wrong half to find their carriage, with all their documents and belongings, heading in the other direction.

The essential act, then, before boarding a train or buying a ticket is to check and recheck. Euro City, Euro Night, Inter City Express, Inter Region - there are scores of different types of trains.

Do not worry about making a nuisance of yourself: ask about the most convenient departure times, connections and routings. Language problems, guaranteed in many smaller or rural stations on the continent, can only make matters more difficult. But a bit of polite perseverance can make all the difference.

Perhaps the best place to begin is the International Rail Centre in London's Victoria Station (tel: 071-834 2345). For those planning a set itinerary in Europe, or wanting to avoid on-the-spot language problems, Thomas Cook publishes a European timetable, updated monthly, available at bookshops or by phoning 0733-268943. The same company also publishes *On the Rails Around Europe* (£9.95), a rail-travel guide, separately detailing more than 40 different routes.

It is worth finding out, too, about discounts on standard tickets, and, for those making extended tours, rail passes: these can offer real savings.

Discounts are available for senior citizens, students and children, and often for travel

You are more likely to get a better sleep in a proper sleeping car than in *couchettes*, which are much cheaper and provide four to six berths for mixed sexes in a converted day-time compartment. Pillows and sleeping-bag-style sheets are sometimes made of disposable material, and I found the bunks short and narrow.

Far more comfortable are single-sex sleeping compartments, with a maximum of three berths and the possibility, in some first-class compartments, of individual accommodation. You get a proper bed and, if you like, the attentions of a steward. While most overnight trains offer dining-car services, he will bring you drinks in the evening and breakfast in the morning.

I had spent two long summer days driving across arctic Scandinavia and was ready to scream with boredom. There may well have been all sorts of

fascinating things out there. Lapp folk music contests and endless boggy back-packing trails are highly considered locally. Whatever their qualities, they were hidden in drizzle behind the thick curtain of trees that, mile after mile, hour after hour, hemmed in both sides of the highway.

It was not long before I began accepting any little diversion with gratitude: small villages lost in the forest, their wooden houses sodden in the rain, their pale-faced womenfolk grimly planting potatoes in muddy plots; a contingent of the Finnish army, camouflaged in spruce branches and clouds

of mosquitoes, engaged in some sort of field drill; an electronic pool game in a Swedish small-town take-away, intoning "Stop talkin' and start chakin'" in a Clint Eastwood voice.

So endless, unchanging and empty were the forests of the north that, listening to Maria Callas and dreaming of the Mediterranean, I missed a turn and drove 100km to a dead end before I realised my mistake.

Great was my wonder and anticipation when, not far from the Norwegian border at the end of the second day, I noticed the land beginning to lift and the forest to thin out.

Snaking between hills now, the road rose higher and higher. In an hour I was above the tree-line; in another I was lost in a chilly snow-covered desert of tall mountains.

Then, without warning, I was over a high pass and the road fell precipitously to warmth and greenery. I took a deep breath of surprise. Spread out in a jigsaw puzzle below me were the spectacular islands, sea and fjords of the Arctic.

Fly, take ship or, if you can stand it, drive. One way or another, the coasts around the Lofoten Islands are worth any kind of effort.

In Sortland I spent a sleepless and sun-filled night in a hotel room where the curtains failed to keep out the light. Confusion continued when I came down to a vast Norwegian breakfast that was more like dinner: cheeses, meats, sliced vegetables and more kinds of herring - in brine, in vinegar or with curry or spicy tomato sauce - than I knew existed.

In the village of Eggum on the "outside" - the term islanders use for the rough unprotected waters of the open ocean - I spent an afternoon strolling the pebble beach to the sound of great arctic combors rolling in. In Nusfjord on the "inside," by the calm waters of West Fjord, I watched fisherman taking cod down from the drying racks; they may look like inedible slabs of timber but, rehydrated, they end up on the plates of southern Europeans who judge them a delicacy.

The further out I went on the islands, the taller became the mountains, the wilder the landscape. Finally, on Moskenes, I stopped at the fishing huts of Sivert Sivertsen.

**B**arel-chested Sivert went to sea when he was 14 and has been fishing ever since. Arctic fishing, most of which takes place in the winter, is a gruelling, merciless profession and today, at 57, Sivertsen has slowed a little. In his 32ft boat, the *Nyboen*, he used to catch 40 tonnes of cod a year and more. Today, with a cod quota in force, he is only allowed to take 17 tonnes, and spends fewer weeks at sea. He fills in the extra time looking after guests in his *rørbu* and taking them out sports fishing.

**R**ørbu are found in almost all seaside Lofoten villages. Small wooden huts built on piles over the water, they are used by fishermen in winter. In summer they are let out to tourists, and make some of the most comfortable and picturesque accommodation on the islands.

I stayed a couple of days in one of Sivertsen's snug self-catering *rørbu* in the village of Reine, and found myself not wanting to leave.

Outside, against the backdrop of the black mountain that hangs over the village, water lapped against the rocks, gulls cried and boats came and went. Inside, I sat in my little kitchen trying to figure out a way to cook a 6lb cod.

When we set off in the *Nyboen* that morning, Sivertsen had told me that fish were not as numerous as they used to be. I had difficulty imagining how it used to be, for we had no sooner put a line over the side and begun jigging it up and down than we had a cod.

I fried it in batter, and for the first time in my life found out how fish and chips should taste. I began thinking of ways to get fresh cod off the Lofoten islands, out of Scandinavia and down to the little chippy at the end of my street in London.

**I**nformation on the Lofoten Islands can be had by contacting the Lofoten Tourist Board, Svolvær, Norway, tel: 7-60-73000, fax: 7-60-73001. Enrich accommodation can be difficult in high summer and should be booked beforehand. Sivert Sivertsen can be contacted in Reine, tel: 6-62-62233.



The Lofoten Islands: Fly, take a ship or, if you can stand it, drive. One way or another, the coasts around the islands are worth any kind of effort

B & C Alexander

## Côte d'Azur of the Arctic

Nicholas Woodsworth drives through dull Lapland to the dazzling Lofoten Islands

**H**ome of rivers, lakes and virgin forests, home of the hardy Lapp and vast herds of reindeer, Lapland is home to admit, sounds like an interesting place. Do not believe a word. The attractions of Lapland are for the most part as imaginary as its most famous resident, Santa Claus, who each year leaves the Finnish postal service holding 500,000 letters addressed to him.

I had spent two long summer days driving across arctic Scandinavia and was ready to scream with boredom. There may well have been all sorts of

fascinating things out there. Lapp folk music contests and endless boggy back-packing trails are highly considered locally. Whatever their qualities, they were hidden in drizzle behind the thick curtain of trees that, mile after mile, hour after hour, hemmed in both sides of the highway.

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## PROPERTY

The Caribbean has long been the playground of the rich. But as the cost of flights has fallen and the islands have become more developed, the possibility of buying property in the Caribbean has been opened up to larger numbers.

The allure of the Caribbean, with its white sands, turquoise seas and carefree atmosphere, is such that even casual visitors are persuaded to buy holiday homes there.

The range of property on offer is large: from luxurious villas offering privacy and exclusiveness, to modest apartments in resorts boasting discos and casinos. Buyers can walk into ready-furnished villas or else they can start from scratch on a plot of their own.

Potential buyers can choose between bustling islands like Antigua, where it is possible to party every night, to tiny, exclusive islands which are peaceful and charming. Recluses can play the part of Robinson Crusoe by buying their own private islands. In the British Virgin Islands, for instance, Green Cay and Sandy Spit - a one-acre island rimmed by white sands and reefs - is being offered for sale by Smiths Gore at \$1.7m.

Property values are now back to 1984 levels having fallen 40 per cent since the boom in 1987-1988, when values were supported by an influx of money from high earners abroad. Some of the most expensive properties are not bargains, however. "People who are not forced to sell are not prepared to drop the price," says Fred Connell, of Smiths Gore, property consultants.

Caribbean islands vary greatly in their terrains, atmosphere and languages, typically English, French and Dutch. Barbados, which ranks as one of the most sophisticated, well-established and expensive of the Caribbean islands, is the most popular for British buyers, followed by the British Virgin Islands, St Lucia and Antigua.

Most potential buyers of Caribbean property want to visit a number of islands before making a decision. "People investigating buying properties in the Caribbean take their time," says John German, of Cluttons.

He is marketing property on the island of Providenciales in the Turks and Caicos Islands, an English-speaking island known for its scuba diving. The Richmond Hill Estates, for example, has eight four-bedroom, three-bathroom villas for sale, half a mile from the sea, in a complex with tennis court and swimming pool for sale for \$265,000 (£171,000). Beach-front property is more expensive; the asking price for a three-bedroom beach-front property is \$350,000. The company is also acting for Isles Bay Plantation in Montserrat, a British colony, 27



Palladian-style Mirabelle House, in Sandy Lane, Barbados, with spectacular sea views, was sold recently for around \$3.5m

## The Caribbean's allure

*Vanessa Houlder on the growing accessibility of a rich man's playground*

miles south-west of Antigua.

Isles Bay Plantation has two remaining houses for sale, although it has additional sites awaiting development. The villas are Caribbean style, complete with verandas, shaded loggias, double-height ceilings and natural timbers.

Prices range from \$300,000 for a two-bedroom house to \$850,000 for a five-bedroom house. Management charges are about \$6,000 a year for looking after the houses, pools, gardens and rentals for the owners. Montserrat has just abolished exchange controls, which will allow buyers to raise a mortgage in US dollars at far cheaper rates than Eastern Caribbean dollars.

Nearby Antigua is more highly developed. The island, which was colonised in 1623 by English settlers, boasts 365 beaches and a developed tourist industry with plenty of restaurants, car hire, golf

and scuba diving facilities. The building boom, which began in the mid-1980s, together with the sharp decline in the market, has left an abundance of property, at a range of prices.

At the market's cheaper end, buyers could consider Jolly Harbour, on the west coast of Antigua. The project, which was developed by Dr Alfred Erhart, a Swiss entrepreneur who pioneered mass market tourism in Majorca, is one of the largest developments in the Caribbean.

The 500-acre scheme, centred around a marina, comprises 500 two-bedroom terraced houses - each with a private jetty. The villas cost around \$125,000; the management charge is currently \$120 a month. Plots of land are for sale for hundreds more houses.

Round the coast, the St James's Club village on Mamora Bay consists of 73 two-bedroom villas, set in

tropical gardens with three swimming pools. Prices range from \$350,000 to \$475,000. Service charges are about \$1,200 a month; insurance is about \$2,000 a dollar a year.

Jumpy Bay Island is an island of 300 acres two miles north of Antigua. The shortage of rain is a bonus to holiday makers although it gives the place an arid appearance.

Jumpy Bay prides itself on its quiet exclusiveness, which is reinforced by the absence of television, radio and telephones from the island. It has 12 villas for sale at prices between \$1.2m and \$1.5m. Its beach-front villas are clusters of buildings around a terraced patio sheltered by a large umbrella roof.

The majority of developers offer to organise rentals for purchasers, which will help them with their running costs. These are often heavy because of high local taxation and high repair and maintenance bills.

"If you want to let the property, it is best to buy near a golf course, marina or holiday cottage complex," says Allan Lazarus, of Prime Property Services. The best chances of obtaining a letting are in the high season between November and May.

But the charm of the islands should not seduce potential buyers into ignoring the possible disadvantages of buying property in the Caribbean.

"Our advice is to buy with no expectation of economic return," says Connell. "If you can get a holiday home to keep its value, you have done quite well."

■ For more information in the UK ring: Prime Property Services (071-827 1313); Jolly Harbour, Villa Sales Information (0932-786805); Cluttons (071-408 1010); or Smiths Gore (071-222 4054).

Round the coast, the St James's Club village on Mamora Bay consists of 73 two-bedroom villas, set in

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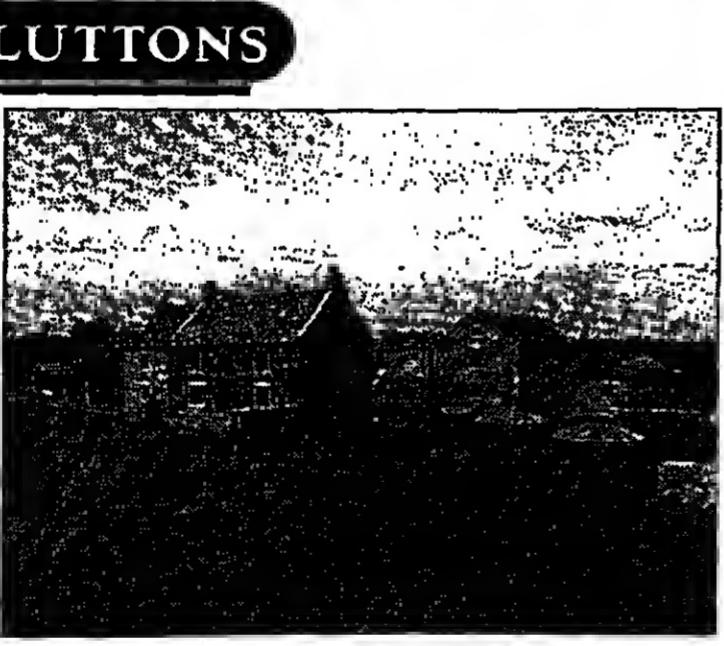
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If the ancient men of Santorini had grown the curious green and black Salvia discolor and the lovely half-hardy new Indigo Spires, they would have packed them off to Libya with the crocuses.

I must also remember that some plants send fine roots along

the surface and are always the hotter for a soaking. Others will either push - or be coaxed into pushing - their roots down to a depth where they can draw on cool reserves.

Even so, it is quite wrong to tell gardeners that these sorts of plant can be left alone. In their early years, they also need support from us, whether hostas or helichrysums, and only then will they push down and need no further assistance. If a recently-planted hosta or day lily is flagging, for heaven's sake water it at once.

Droughts also deny our plants their "food". The basic fact is that plants cannot eat, although writers and advertisers imply that they can. They are sustained by liquid intake and uptake.

Experts may argue that attempts to spray fertiliser in a liquid form

on to a plant's leaves are unsatisfactory because so little hits the target and is taken up. From my constant experience and counter-experiment, I know that their

argument is not one for inaction. These plants which are excluded from this treatment are noticeably worse.

Lastly, the matter of leaves and toughness. All around you, you will see once again the evidence that plants with silver, furry, thickly-coated leaves are surviving without any particular trouble. They remind you of the value of matching a plant's natural preference to its predicament in your garden, if you want a trouble-free life.

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Just dying  
a drink

## PERSPECTIVES

Dispatches: Jerusalem/Nigel Spivey

# A journey to the heart of Zionism

**T**he highway from Tel Aviv to Jerusalem is a brief but significant route. It is more than a road. It is a road heavily annotated, a road framed scripture. First you pass a Trappist monastery; then a British garrison fort, still trim and intact; then, less pristine, a Crusader castle; and then, amid eucalyptus trees planted on steep hillsides by Jewish settlers in the last century, you see more recent wreckage: burnt-out tanks, rusted vehicles and the skeletal limbs of derelict artillery. These are not eyesores but studied relics of Israeli and Arab claims to Jerusalem. You are headed for a dearly disputed place.

The harbingers of Jerusalem seem half-designed to heighten your first visit. And if you arrive with no more than a childhood, chapel-bred vision of it, Jerusalem at a distance, is entirely gratifying.

It is golden. Ronald Storrs, when appointed British military governor of the city in 1917, must have had those hymns of heavenly Jerusalem echoing in his mind when, like Bernard of Cluny, he indicated that he wanted a radiant focus for contemplation.

He ordered that all planning permission oblige the use of local stone. And it is a law that still prevails: there are new buildings rising wherever one looks in Jerusalem. Even the most brutal high-rise hotel is clad with the local pink-to-beige stone. The city glows.

I walked into old Jerusalem, as the pilgrims traditionally do, by the Jaffa gate. Inside an hour I realised that the hymns in my life had not properly prepared me. The topography of green hills and city walls is, not surprisingly, all wrong.

But no Christian with a priming of aesthetic sensibility can fail to cringe at the Gospel theme-park created here. It is largely 19th century work, now invested with the properties of

late 20th century tourism.

Having run the gamut of hawkers to reach the Holy Sepulchre, there is no sanctuary. Calvary is a palace of gaudy altars, tombs, cisterns and grottoes, in the precincts of which six separate Christian factions sedulously compete for the pilgrim's custom. I suffered as two rival guides bartered their prices for the Via Dolorosa, before making my own sad way to Gethsemane.

Some dignity and loveliness are retained by the Mount of Olives. Yet the verdict must be that Christian Jerusalem is not so much golden as brassy.

One progresses, at least architecturally, to the Dome of the Rock. The Christian guide-

one interruption, from 1948 to 1963 - and the pioneer ambience of this town.

I took it to be a model of Zionist sins. New inhabitants arrive on an almost weekly basis. New houses, new roads, new schools are accordingly constructed. The university specialised in research on water extraction. At Beersheba, the desert is in retreat.

I slept on the sofa of an Auschwitz survivor: an impressively hedonistic Transylvanian woman, whose compensation pension from the German government helps keep her drinks cabinet stocked. She swigs alike my suggestion that life in this desert outpost might be drab.

"Nonsense," she boomed. "We have more concerts here than we can go to. Didn't you know that every plane-load of Russian Jews brings a new orchestra?"

It is a familiar joke in Israel, that Russian Jewry - pouring into the country at such a rate that supermarket milk cartons carry Cyrillic instructions - are all professors and pianomakers. And there was a genuine sense of mystery, among the people I talked to, about the economics of this sustained influx. There is no evident onset of unemployment, in spite of the continued use of cheap Arab labour for most manual work.

Hebrew is taught by a patently successful intensive technique (in spite of the milk cartons); volatile and abrasive as Israelis famously are, their discordance is minimal. And they know it.

As beffited a visitor to Ben Gurion University, I was taken to a nearby kibbutz. I had already learned to recognise a kibbutznik when I saw one: any young person who looks as though he or she has drunk vinegar for breakfast. The system breeds sardiness.

Many of those raised by kibbutz collectivists go on to hold high office in Israel. The rea-

son why many Israeli cabinet ministers carry the air of those who know how to plough a field is that many Israeli cabinet ministers have indeed ploughed fields in their time.

Since 1967 and the occupation of the West Bank, this kibbutz can no longer be described as a border settlement; but the larger mentality of its workers persists insofar as each takes a turn at guard duty, and immediately adjacent to the school is a large concrete bunker.

My shirt-sleeved host and I inspected dozens of bright little kibbutz-reared pigeons, which brought more confirmation of the secular basis to Zionism.



Jerusalem: not so much golden as brassy

encampments - all visible from above - and bombarded by siege engines, the zealots could do no more than watch the Romans build an enormous earth ramp up to their walls. On the eve of the breach, they committed mass suicide.

Why the Romans expended such effort to trap less than 1,000 militants is a question that still perplexes ancient historians. But modern Israelis see the paradigm clearly enough: recruits to the Armour Corps are sworn in at this site. The oath is hinged with implicit vengeance. "Masada must never happen again."

Most Zionists would admit that the zealots of Masada were like their ultra-Orthodox counterparts today, the sort of Jews who would despise any secular state. But that does not prevent Masada from serving both as an emblem and as a cautionary metaphor for modern Israel.

Most Israelis know the site well, and they are easy to distinguish from other visitors: as some people carry mobile phones, so Israelis carry machine-guns. The very excavation of the site, 30 years ago, was an operation that owed more to military logistics than archaeological expertise. And one does not have to travel very far from Masada to join the ambience of virtual combat: checkpoints and barbed-wire replace mudpack therapies as the literal road along the Dead Sea gets closer to Palestinian Jericho.

Other memorials in Israel may seem an impartial visitor more swiftly into sympathy with the Zionist cause but Masada puts the seal on my conversion.

Its strength as an epitome does not lie with the historical identity of those who occupied it: fundamentalists, whether Jewish or Moslem, may yet wreck the state of Israel. Nor can it be said to provide a precedent for a Jewish state in this part of the world: 2,000 years ago, "Judea" was never a nation in the modern sense, and neither, come to that, was Palestine.

What Masada stands for is the endurance of a culture. It is, in archaeological form, a centre of gravity for whatever it is that defines Judaism, whatever that is - an essence, a cement that unites people to fight for themselves. Those without such bonds will come away from old Masada, and new Israel, with some relief, but more envy.

*'I slept on the sofa of an Auschwitz survivor: a hedonistic Transylvanian'*

books admit that the Dome is an outstanding example of Islamic design, and together with the nearby al-Aqsa Mosque offers a marvellous panorama, up on the parapet of what used to be Herod's great temple.

But the ambling, camouflaged hordes of the Gospel theme-park tend not to make it up here. It is the third holiest site of Islam. Perhaps the most sensitive reaction of the non-Moslem is not to moralise on the impossibility of peace here, but to do as Winston Churchill did in 1922. Having briskly set up the principality of Transjordan, he went to the Rock and set up his easel.

With a recent call from Yasir Arafat for a jihad or holy war on Jerusalem, causing much chitter in Israel - in Israel, everyone is a member of the chattering class - I was not alarmed to be thoroughly frisked before approaching the Wailing Wall, which completes the religious Disneyland that is the old city of Jerusalem.

Under the colossal blocks of

Jews, Zionists prefer it to be theirs, as they prefer Palestine to Argentina. But to become a convert to Zionism, you must move on from Jerusalem.

Looking at a map, the state of Israel is really just as Balfour described it: "a small notch" surrounded by vast tracts of Arabia. When one discovers how much of that small notch is desert, the geopolitical complaint that animates so many Zionists - why do the Arabs begrudge us this tiny territory, when they have so much? - is difficult to discard.

I travelled down to the northerly part of the Negev desert, invited to lecture at the Jewish University at Beersheba, my only briefing was not to bother with a jacket or tie for the occasion.

True, it was powerfully hot, even within this oasis. But the advice to leave jacket and tie at home was not given solely out of solicitude for my comfort. It was also a deferral to the shirt-sleeves, no-nonsense persona of Ben Gurion... Labour leader of Israel, with

Hebrew taught by a patently successful intensive technique (in spite of the milk cartons); volatile and abrasive as Israelis famously are, their discordance is minimal. And they know it.

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Golan Heights is not a matter of national pride, but strategy. We agreed. And, at a communal supper, as we talked about the withdrawal from the Gaza Strip, the fall-off in Russian arms supplies to Syria and the consequently predicted evacuation of the Golan Heights, I gathered a further truth about Zionism.

Namely, that Zionism is not

strictly a nationalistic movement. Patriotic, yes; but not nationalistic. Zionists have sought a space for Jews in which Jews can be Jewish without looking over their shoulders, a community in which Jews are, at last, not a minority. To yield up the

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## Weekend FT

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THE NEW YORK YACHT CLUB is 150

Newport 100 years ago was New York-by-the-sea. When hot, humid summer came, the affluent closed up the brownstone houses on Fifth or Madison and came to Rhode Island.

Nothing much has changed, least of all the family names. This week the New York Yacht Club has been celebrating its 150th birthday (being the NYYC, of course, it has to be the tongue-knotting Sesquicentennial Regatta). When the result lists go up, a du Pont can be found next to a Doubtless.

As the yachts headed out into Narragansett Sound all the chatter and pointing was towards the yellow-painted house on the headland. As a dynamic town Newport loves nothing better than a will, and Jackie Kennedy's had just been published. Hammersmith Farm, the seaside retreat where the young Jacqueline riding ponies and sailing, came to symbolise the Kennedy presence in Newport.

After her marriage to John F. Kennedy at St Mary's Church, the wedding party was held at this glorious pale yellow mansion overlooking the Atlantic. Once JFK became president, the house became the summer White House for the first family.

Of course, it is no more a farm than Blenheim is a country rectory. That is another quaint Newport custom. The Italianate palaces out on Ocean Drive, built at the turn of the century for families such as Vanderbilt or Astor, are invariably known as "cottages". When probate was granted and

the result lists go up, a du

Pont can be found next to a Doubtless.

Perhaps they should not have been so discreet. When the club lets its hair down, the scenes were wondrous to behold.

The steep sloping lawns in front of Harbour Court, the waterfront mansion that calls home, became impromptu grass slides for younger crew and, after cocktails, their parents.

Many yachting enthusiasts around the world were sharing the magic of Newport for the first time. The NYYC had invited sailors from clubs such as the Royal Yacht Squadron and Royal Thames Yacht Club to come and race with them.

"We've been almost a year building up to this and I think the media are marvellous," said Mike Slade, a London property man and owner of Longobards, one of the world's top maxi-yachts.

If that sounds a lot of preparation for a week's sailing, consider that the soft Longobards sail with a crew of 24, a mixture of family, friends and professional racers. In her wake follows a baggage train of racing gear, spares, ropes, and even carbon fibre to repair the hull should it prove necessary.

"We won't spend anything like we did in the last Cup," said Koch, patting what he likes to call his \$6m belt buckle. The loged clip on his belt is from the 1992 America's Cup campaign: \$6m was the net cost, after deducting sponsorship.

Mazda says its objective for the 323 is to combine sportiness with refinement, individuality with concern for safety and environmental protection. Don't they all say that nowadays? Of course they do. But having sampled 323 fastbacks with both engines, I can confirm their sporty handling and mechanical refinement. As for their looks, I reckon nothing touches them in their class.

I first drove the 1.5-litre GLX (212,555). The engine, although smaller than the old 323's 1.6 litre, is slightly more muscular, producing a silky 90 horsepower at 5,500rpm. Torque (pulling power at a given engine speed) is unchanged. The 1.3 GLX rode comfortably and demanded little gear changing in urban areas, handled nimble on country roads and cruised quickly on the motorway.

Delicate controls, effortless power-assisted steering and minimal road-induced tyre noise made it a most relaxing car to travel in. The driving position was comfortable

# Sailing/Keith Wheatley

## Old money in Newport

The New York Yacht Club is 150

"the farm" was left to stepbrother Hugh Anchiallos, he too Newport heaved a discreet collective sigh. The two Kennedy children had been bequeathed the other waterfront property on Martha's Vineyard 50 miles away. That should keep the paper out of town for another generation.

As the sporting home of the fabled America's Cup for 100 years or so, one might have supposed that Newport and the club might have grown used to the media. After all, Harold Vanderbilt, racing Sir Thomas Lipton for the oldest trophy in international competition, was hardly low-profile, even in the 1930s.

Then, as now, the NYYC strictly adopted a marvellous disdain. Journalists wanting to cover this week's splendid and historic regatta were told that it was private, "by invitation only". Race results, numerical tables of times and handicaps with as much flavour as packet soup, would be available from a suboffice in a shopping mall.

Perhaps they should not have been so discreet. When the club lets its hair down, the scenes were wondrous to behold.

The first night, the club's annual Welcome Snow

shower. Slade bristles, in his amiable way. "This, believe it or not, is a business. She's available for major regattas at \$50,000 a week and we'll do two, maybe three, charters this year," he said. "It should cover the running costs."

Next week Longobards sails for Australia and a customer who wants to race the Sydney-Hobart classic in December.

Bill Koch, the US amateur sailor who won the America's Cup two years ago after an expenditure of treasure that started even the battle-hardened, is in Newport with two yachts and a cast of thousands. Next spring Koch defends the America's Cup with an all-woman crew, a radical move that has shaken the NYYC, who cannot quite make up their minds even about lady members.

Thirty-four athletic women, ranging from top dinghy helms to Olympic rowers, are racing Koch's crack maxi *Matador*. He has brought out of storage in Antibes especially.

Koch himself, an engagingly diffident, self-deprecating individual and one of the richest men in America, has brought a classic 12-metre *Xanadu*, over from New Zealand solely for the week. At the two rented crew houses a marquee has been erected to host the crews, coaches, and hangers-on.

"We won't spend anything like we did in the last Cup," said Koch, patting what he likes to call his \$6m belt buckle. The loged clip on his belt is from the 1992 America's Cup campaign: \$6m was the net cost, after deducting sponsorship.

Mazda says its objective for the 323 is to combine sportiness with refinement, individuality with concern for safety and environmental protection. Don't they all say that nowadays? Of course they do. But having sampled 323 fastbacks with

## BOOKS

I am a real Tory. I was brought up on Henry John Buchan and Jane's Fighting Ships. I believe, not assertively but in a relaxed and natural way that my country is the best, the most congenial place to live, the land whose preservation is worth any sacrifice.

This attitude, and the sense of decorum that goes with it, was devastated by the Great War. It survived into the 1930s (when at the age of six I read my first "book" - in popular parlance the term now denotes a soft-bound comic - *King Solomon's Mines*) only in reflex, and was all but demolished by the great Labour landslide of 1945.

The Conservative Party did not just "adapt"; it changed practically everything except its name. Through Macmillan's soft-optioneering, Heath's balance-sheat corporatism to Thatcher's "market" brutality.

So what are we? We can always buy an "image". I suppose, from a good PR firm. And keep them on a retainer to tune and burnish it. But with loss of identity comes loss of confidence, then loss of nerve (and if you do not believe this just watch what happens to the Labour Party over the next couple of years).

# A dip into the well of Tory inspiration

*Patience is needed to draw on the true values of life, says Alan Clark*

Yet now a wonderful book has appeared, which illuminates our Party from an unusual angle. There is barely one word of politics in the text - but the combination of history, aesthetics and scholarship provide a deep well from which real Tories can draw inspiration and disinterestedness.

Nigel Everett illustrates this thesis by drawing on the writings - fiction as well as records and surveys - of successive periods as well as the art, the paintings, the architecture and the gardens. He never proselytises. Indeed, it is not always certain which "side" he is on. All the better. The reader has to think, make his own judgments, which in the very nature of things, alter as the evidence accumulates.

There is a permanent tension between the ancient traditions and their benign stability, and the ever-present threat of degradation. Human greed, "short-termism", the strong exploiting the weak beyond endurance, are pollutants every bit as damaging as an overdose of nitrates.

Take this verity: "Old

England - slow, dignified, shaded, and beautiful with the public wandering freely through a variety of landscapes - has given way to the modern world of assertive privacy, ugliness and tension".

THE TORY VIEW OF LANDSCAPE  
by Nigel Everett  
Yale University Press £35.  
248 pages

How true this is of practically anywhere in the south-east today. "Modern World"? You mean nose-to-tail traffic, Wimpy bars, police sirens, ghetto-blasters, farm shops selling "early" potatoes flown in from Cyprus? Well, no. This passage is a commentary on Humphrey Repton's illustrated notebook, published in 1792,

when we were congratulating ourselves that the social harmony of our own kingdom was preserving us from the horrors of the *jacquerie*.

And there are other precursors. Here is Adam Smith (but I doubt if the wording is either familiar or congenial to the existing membership of that "institute" which bears his name): "A profitable speculation is presented as a public good because growth will stimulate demand, and everywhere diffuse comfort and improvement. No patriot or man of feeling could therefore oppose it" (But) the nature of this growth, in opposition, for example to older ideas such as cultivation, is that it is at once undirected and infinitely self-generating in the endless demand for all the useless things in the world..."

As early as 1830 Cobbett was remarking that the (peasant) labourer was "... more comfortable where there are woods, forests and wild places, hedges commons and grassy lanes. His situation is at its worst where there are areas of high fertility devoted almost entirely to corn".

There are dark passages, it is true, in the history of Conservative magistracy. And none more terrible than the Highland clearances whose evidence in Sutherland, even to this day, can be seen in the pleasing homesteads, idyllically situated at the water's edge, burned by fire often started when the crofters' families were still inside, by the Duke's militia.

But in the main our country was uniquely favoured in the temperate nature of its climate, its constitution, its manners, and its agriculturally based wealth. Comfort coincided with virtue, beauty, liberty, and easy social relations. Tories (real Tories) can still draw encouragement from this. It remains a basic truth, deeply implanted in the subconscious of very many of our people. But if we are to draw full advantage therefrom we do need at times great patience - mirroring that of Nature herself.

# Doorman to the modern world

**W**e read for many

reasons, most of them not very lofty. Among the more significant are these two: that we need to understand ourselves, and to know our world. With the exception of Barbara Cartland-style pulp, most books do something for us in one or other direction. Great literature is great because it does much in both.

But great literature does not come off the presses every day. We could survive on a diet of mere competence - novels a shade thin; poetry a touch too strained - but our usual resource is to return to the classics, which have that stature because they satisfy us richly.

There is however another resource, and it constitutes the most rapidly growing literary genre of the 20th century: biography. Biography fully meets the two needs noted, satisfying them through our curiosity.

**GALILEO: A LIFE**  
by James Reston Jnr  
Cassell £18.99, 319 pages

about the lives, times and circumstances of our fellowmen. It is an essential human trait to gossip, to eavesdrop, spy and pry, and it is essential because without it none of us could be fully human or social. The only way we have of interpreting ourselves and others, and therefore of finding our way through the vast fabric of relationships that constitutes the social world, is to be primed with insight into human nature and its variety. Gossip is vital; literature, biography and history are gossip writ large; we therefore cannot live without them.

Anyone's life is interesting, even that of a village Hampden in a sequestered vale. But to read about great lives, lives which change the world, is to get not just biography but history. Galileo Galilei's life is historic in just this way. If any one man acted as doorman to the modern world, he has an excellent claim to the title. In this readable, characteristic example of the American style in popular biography, James Reston takes us through Galileo's tale, booking it firmly to events in the contemporary world: the flight of the space-craft Galileo to Jupiter, still taking place as this is written, and the decision of the Vatican in 1992 to acknowledge its fault in ill-treating Galileo three and a half centuries ago, by dragging him before the Inquisition, humiliating and imprisoning him.

Indeed Galileo's story is a microcosm of the epic struggle between science and religion

to an important life.

**A.C. Grayling**



"England as a noble estate, the landed interest its ancient defenders... comfort coincided with virtue, beauty, liberty and easy social relations": Gainsborough's portrait of Mr and Mrs Andrews (1748-49)

**E**laine Feinstein's last novel, *Loving Brecht*, was a delicate, low-key evocation of a city, Berlin, in period of turmoil. It approached its subject glancingly, telling the story of the playwright Bertolt Brecht through the eyes of a nightingale singer who had a long affair with him. Feinstein's new novel, *Dreamers*, is also about a city, this time 19th-century Vienna. It is more obviously historical, opening like an old Hollywood movie with the announcement of a date - 1848, year of revolutions - which tells us what kind of narrative to expect.

This is followed by a piece of celluloid scene-setting, a portentous authorial announce-

## Fiction/Joan Smith

### Suitable cases for dramatic treatment

ment which cries out for accompanying martial music: "It was a February morning in Vienna. The wind was blowing savagely from the east and a little snow was settling on the domes of green and bronze in the First District". From this panoramic view, Feinstein sweeps down to focus first on the houses, cake shops and coffee houses of the rich, then on the servants who are hard at work ministering to them. These cinematic techniques

are used throughout the book, cutting abruptly from the grandest of town houses to the garrets of the poor, from noisy crowd scenes to a child's deathbed. Most of Feinstein's characters are Jewish and her ambitious aim is to plot their struggle to survive and prosper as Metternich is overthrown and a new, more liberal order seems to be the herald of better things in Austria.

Unfortunately, *Dreamers* has

more than technique in com-

**DREAMERS**  
by Elaine Feinstein  
Macmillan £15.99.  
339 pages

mon with the Hollywood costume dramas of the 1930s and '40s. People rush in and out making terse announcements: "Revolution in Paris. Barricades have gone up in the streets. Royal troops have fired on the crowd."

**CONSEQUENCES**  
by Helen Muir  
Simon & Schuster £15.99.  
231 pages

The chief characters are a lovely but mysterious orphan, Clara, who cannot remember her origins; a child prodigy, Joseph, whose talent in playing the violin elevates him to international stardom; and Anton, the literary, left-leaning

son of a fabulously wealthy banker. The novel spans 16 years of their lives without ever really bringing them alive as they move on and off Feinstein's richly-decorated sets like pretty, lovingly-crafted puppets.

Helen Muir's novel is constructed not like a Hollywood costume drama but a TV soap opera. Its characters are as unlikely as those in *Dreamers*; and its title, *Consequences*, suggests that they are all taking part in an elaborate comedy of manners.

Muir is best at dialogue, especially the jerky speech of a woman who has summoned up the courage to call a man who might not be interested in her: "Hello, I wonder how you were. You... you said you were going to ring me but you haven't. You sound a bit miffed at your end. Can you hear me? Have you got somebody there?"

Most of the characters meet

at a gaily singles club off the Cromwell Road, the men looking for sex and the women seeking something more romantic. Yet the novel cannot decide whether its keynote is farce or pathos, cruelly gazing a character on one page and a moment later soliciting sympathy on his or her behalf.

Much of the plot stems from an incident at the club in which Leonard, a marcelet cartoon animator, tramples on his dancing partner, an over-dressed blonde in grey lame who turns out to be a captain in the Life Guards. These are easy targets and it is a pity that Muir has settled for belying rather than something which might really engage readers' hearts.

**T**hree years ago Andrew Roberts made his mark as a historian with his admirable biography of Lord Halifax, the man who very nearly became Britain's wartime prime minister instead of Winston Churchill. He is currently writing a much-needed new biography of Lord Salisbury. Meanwhile, he has produced a pot-stirrer which should help keep his name in lights.

*Eminent Churchills* is modelled on Lynton Strachey's *Eminent Victorians*, first published in 1918, and Roberts fully acknowledges it. Strachey introduced a new form of biographical writing: subjective, selective and short, and by no means wholly dependent on narrative. In his own words, he sought "a brevity

## Soft targets of recent history

*Malcolm Rutherford suggests that this biographer is simply sniping at easy meat*

which excludes everything that is redundant and nothing that is significant". He could praise as well as blame.

Roberts has many of the same qualities incisive use of quotations, telling anecdotes and acquaintance with out-of-the-way sources, especially diaries. Yet there is one huge difference. There was recognisably a Victorian era; there was no such thing as a recognisably Churchillian era.

Churchill was a man who, had it not been for the second world war, would have gone down as a political failure. Even then, he was defeated in the general election of 1945. When he came back in 1951, it was fairly well known that - to put it mildly - he was too old for the job. To call all the Churchillian era stretching historical licence. Much of the period might as well have been called the coalition era or even the Attlee era, which even

at least as much an Attlee man as a Churchillian. Mountbatten receives 80 pages. His vanity and care for his own reputation are undisputed. Yet, as Roberts writes, ultimately that reputation must stand on his record as the last Viceroy of India. Roberts condemns him for his acceleration of independence and partition.

Others will reach their own judgment. Despite the violence, it still seems by the post-

war British government (i.e. not by Mountbatten alone). One might look (as Roberts does not) at how other European countries tried to defend their overseas possessions after the time to leave. In France there was near civil war. Roberts appears to think that if Britain had stayed in India longer, and used air power to quell local difficulties, it might have been possible to impose democracy on the British parts of Africa.

Still, that is hypothetical.

The Roberts case against Walther Monckton is that he was too much of a charmer. As Minister of Labour, he always sought to resolve industrial disputes by splitting the difference between the employers' offer and the unions' demands. That is true, but was very much the climate of the time. Monckton's successor was Ian Macleod; he regarded Monckton as a hero. No-one then

thought of trade union reforms à la Thatcher, just as (unmentioned by Roberts) no-one thought of Britain joining the original Common Market.

Arthur Bryant, as a fellow historian, is easy meat. Roberts tells the story of how close Bryant was to fascism right up to the war. There was a serious move to have him interned, but another historian, the now Lord Dacre, advised the authorities not to worry because Bryant would "change with the times", which he duly did.

The Dacre story is one of the best in the book. There is some other political tittle-tattle of the kind that will be enjoyed by those who like the diaries of Chips Channon and Alan Clark. But there is also a nasty streak. Historians should not seek to get away with statements like "Murphy was an active homosexual and extreme left-winger" without

some elucidation, and the claim that Rab Butler's move to the Board of Education was the "wartime political equivalent of Port Stanley" reminds one of Lord Tebbit's recent remark that being president of the European Commission is

like being chairman of Basingstoke Council. Indeed there is a touch of Tebbit - the semi-horse-trained polecat" as Michael Foot called him - throughout *Eminent Churchills*. On to Salisbury before it becomes catching.

**ART GALLERIES**

**Mountbatten:** "His vanity and care for his own reputation are undisputed"

Dooman  
the modern  
world



Maharana Jagat Singh (1734-1751) riding an elephant while smoking a hookah, Udaipur, 1740: one of the Indian miniatures from the British Rail Pension Fund collection, which Sotheby's sold for a total of almost £250,000 in April. The fund remains one of the most successful investments in the art market

## Pop 'Establishment' left out in the cold

*The Mercury Prize is likely to raise some hackles in the music industry, says Antony Thorncroft*

**W**hat would we do without arts prizes? The Turner gets the conceptualists and the painters at each other's throats and the Booker sets post-modernists against readers. And now the Mercury Prize for the British pop album of the year is shaping up nicely to make many music people very cross. This is the third year in which ten albums have been short listed by "experts" to compete for £5,000 - and a barrage of promotional opportunities.

Inevitably the award goes to a band that hardly needs it - last year Suede generously gave the money away, although, like the 1992 winner Primal Scream, it probably expected a bigger career boost from the prize than actually happened. This year's ten albums suggest the careful mix and match of a finely balanced committee. There is a representative from most of the myriad faces of pop - except one.

There is no room for the Establishment. Albums by the Rolling Stones, Elvis Costello and Kate Bush made the final 20, and then stalled. Pink Floyd failed to get even that far. The Mercury is obviously going in for a bit of proselytising, for the shock of the new, but in the most balanced way.

So what is on offer? The only big name listed is Paul Weller who, with *Wild Wood*, has contributed the whimsical hippy album. This is what happens to abrasive young punks when the pop business gets to them, especially in the wallet. The

lyrics go nowhere, slowly, and the melodies come packaged from some Californian dream factory. What a contrast this is to the punk album on the list, from the Ulster band Therapy. *Troublemakers* hits you like a sledgehammer, and does not loosen its grip through a welter of songs which are almost a parody of life seen from the gutter. So much youthful angst, so much raw energy and power - it is as stimulating as Weller is soporific.

The inevitable black soul entry this year is Shara Nelson with *What Silence Knows*. She has more genuine emotion than last year's representative of this form, Dina Carroll, and seems equally happy with the beat-torn ballad and the old fashioned disco whirr.

This is much easier listening than the pseudo-classical contestant, Michael Nyman's *The Piano Concerto* which shares the CD with TGV, his peat to the French express train.

Nyman takes a tiny little tune and adds layer after layer of sound, breaking the back of the simple melody. *The Piano Concerto* was originally the soundtrack of Jane Campion's movie *The Piano* and has that unnecessary background feel to it.

There must be an album to keep the largest sector of the pop buying public, young girls, happy, and naturally Taka That's *Everything Changes* makes the top ten. Gary Barlow writes some very infectious songs; indeed the band is much better than its hunk poster image, and if Take That are very clever they could avoid the inevitable three year life span that dogs pretty boy bands and become a serious music making machine.

Old rockers will like Ian McVaihi's *Head Like a Rock*, which keeps the Bruce Springsteen tradition alive. Little surprise that it was recorded in LA with Neil Young's backing band, Crazy Horse. With its crashing chords and harmonious melodies, this will restore the faith of jaded 30 year olds in the redemptive power of pop.

Naturally there has to be a "British" pop album and what better than Blur's *Parklife*. This is how today's youth likes

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## ARTS

# Oddities in demand

*In a difficult year for the salerooms - as stock markets plummeted just before important auctions took place - Antony Thorncroft senses some optimism in the air*

**S**o it is steady as she goes. This week the leading auction houses totted up their takings for the season and cheered themselves up - just. Sales at Sotheby's were 19 per cent higher at £215m, while Christie's managed a 14 per cent lift to £175m. In dollar terms the results were not quite so impressive (rises of 15 per cent and 11 per cent respectively), and these days the big salerooms think in dollars. But they are entitled to put the best gloss possible on what has been a mildly encouraging year.

As Sotheby's president DeDa Brooks says: "The best we could hope for was a good strong climb back. If we could grow by this rate every year we would be ecstatic. We've had some wonderful goods last season but prices have not moved much".

Sales might still be less than half the level achieved in the *annus mirabilis* of 1989-90 (when will Sotheby's match the \$3.2b it recorded then?) but at least the worst is definitely over. A year ago the auction houses expected trade to pick up faster than it has, but they were basically very unlucky over the timing of their biggest auctions of the season, the important Impressionist and Modern picture sales in New York and London in May and June.

The autumn sales in the sector had been encouraging, with Sotheby's recording what turned out to be the highest price paid during the season of £13.75m (£2.34m) for one of Matisse's experimental cut outs. Their success lured on to the market some good - as well as some flashy and well hawked - pictures, which Sotheby's and Christie's fought over with all the cut-throat intensity that characterised the hyped up market of the late 1980s. To secure works by Monet, Gauguin, Sisley and Cézanne Christie's in New York gave the heirs of the late Neil McConnell a non-refundable advance in the region of \$1m.

Unfortunately the stock markets in New York and London went into free fall just before both sets of auctions. The super rich caught

fright and decided they could live without art. Christie's received the coldest blast and its sales were very disappointing. It failed to recoup its gamble on the McConnell pictures and presumably still has an unsold Cézanne in its strong room.

Sotheby's managed to get away with two major works in London, £4.4m and £4.6m, and could claim a success. But this is still a weak market. In the late 1980s the auction houses raced ahead by selling Impressionist and modern art at ever rising prices (to a peak of \$8.5m for a Van Gogh), usually to

the Japanese. This sector accounted

helped raise Phillips turnover by 12.5 per cent in 1988-94 to £88m.

But the real star among the medium-sized auction houses was Christie's South Kensington which added 28 per cent to its turnover, weighing in with an impressive £50m. There were its usual idiosyncratic records - £29,600 for a camera (although it was gold plated); £23,500 for a car number plate, K1 NGS; and £22,100 for a Walt Disney poster.

Competition is becoming intense in this sector. This week Bonhams, which had another excellent year with a 21 per cent jump in sales to almost £34m, raised its charge to

*The most surprising price of the season was the £7.7m paid at Christie's for part of a 7th century BC Assyrian relief ignored for decades on the wall of the tuck shop in Canford School*

for over half their turnover. It now contributes nearer a quarter, and there are some doubts as to whether Impressionist paintings will return to the levels of 1989-90 for a decade.

Fortunately there will always be people who buy art because they love it, and they have become more active again in the past year. The prices that sellers were prepared to accept (or were forced on them by auction houses desperate to boost sales) came into balance with the selective purses of potential buyers.

The feature of the season was the brisk trade in low and medium priced antiques. After all, the economy is improving, there is a great deal of money around in the City and elsewhere; and there is little attraction in storing it away at low interest rates. Lloyds is still not a major factor in bringing goods on to the market, although Phillips was helped by a spate of house sales.

Unfortunately the stock markets in New York and London went into free fall just before both sets of auctions. The super rich caught

buyers from 10 to 15 per cent of the hammer price, the same level as Sotheby's and Christie's. It has been forced to do so because its rivals are involved in a price war when pitching to sellers, cutting their charges from the traditional 10 per cent premium in their keenness to secure goods for sale. Bonhams was losing out and reckons it must be more flexible in its terms for sellers if it is to continue to grow.

Along with the malaise in post-1970 art (and to a lesser extent among Old Masters) which have become a tricky market, despite the remarkable £4.2m paid at Sotheby's for a landscape by the Dutch 17th century artist Albert Cuyp), and the improving demand below the £10,000 a lot level, there were three other noteworthy features to the season - the strong demand for furniture; the premium carried by anything odd and exceptional; and the growing importance of South East Asia to the future of the art market.

Unlike pictures, furniture is essential to life, so why not buy buyers from 10 to 15 per cent of the hammer price, the same level as Sotheby's and Christie's. It has been forced to do so because its rivals are involved in a price war when pitching to sellers, cutting their charges from the traditional 10 per cent premium in their keenness to secure goods for sale. Bonhams was losing out and reckons it must be more flexible in its terms for sellers if it is to continue to grow.

At the moment the mainland Chinese are interested primarily in stamps, jewellery, watches, jade, and Chinese paintings. If they follow the pattern of the Chinese of Hong Kong, Singapore and Taiwan, oriental ceramics and bronzes should be next on their collecting list. A taste for Impressionist art, to say nothing of Old Masters, may take a generation to develop, but in the meantime the auction houses will be doing everything in their power to speed up the process.

antique examples which can be cheaper than contemporary and have a tradition of holding, or increasing, in value. This message has got home, not least among recipients of City houses. Christie's furniture sales were up 44 per cent last season, with record prices set for pieces designed by Chippendale and Charles Rennie Mackintosh.

If recent buyers of post-1870 art are licking their wounds there always seem to be bidders for unusual masterpieces. The most surprising price of the season was the £7.7m paid at Christie's for part of an Assyrian relief of the 7th century BC which had lain ignored for decades at Canford School. Equally bizarre was the £441,500 paid for a 12th century carved "unicorn" horn. Less surprising perhaps was the record £2.4m which secured a bronze lion from Moorish Spain, a record for any Islamic work of art. Sotheby's secured a record of £188,500 for a 20th century doll and £278,000 for a Purcell manuscript.

Christie's, and to a lesser extent Sotheby's, are looking towards South East Asia to provide the next major boost in the increasingly international art market. Its chief executive Christopher Davidge reckons that already up to 15 per cent of its turnover comes from collectors there, and he anticipates holding auctions in China within five years. With its dynamic economy and the world's longest tradition of appreciating works of art, China could become the driving force of the market by the first decade of the next millennium.

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## Codes of honour put to the test

*Martin Hoyle reviews 'Le Cid' at the Cottesloe*



Love versus duty: Duncan Bell and Susan Lynch. English couplets deflate the pomposity

erty Hall. Susan Lynch is a promising if coarse-grained Ximena: strong, rather tough, featured, she tends to yell at moments of stress. Crude ness of attack, far from adding to the very real intensity she generates, merely leaves one wishing for tighter control and discipline. Translation and possibly production seem to resign themselves to audience laughter at Ximena's bull-in-a-china-shop love-and-death emotionalism. The nice indication of her hysteria, when she refers to the sword of the Cid's opponent as "still bloody" gets overlooked in the general conviction that she is almost off her rocker. It may be one way to express Corneille's dramatic vibrancy to a sceptical British audience, but I wonder whether it is the right one.

Costumed as for Spain's Golden Age (Philip II going on Cervantes), the company do their best with actresses as distinguished as Faith Brook and June Watson looking concerned as condamnates. As the squabbling fathers who trigger the tragedy, Edward de Souza and Alan MacNaughton are snarling, toothless old curs, not too stiff in the joints that they cannot destroy their children's happiness for their own pride, capable of the bland vanity of such lines as "Prove yourself to be / A worthy son to such a man as me".

The real heroine emerges from the shadows of a subplot that phenomenon detested by French classicism. Samantha Bond brings tragic dignity to the figure of the Infanta, the king's daughter who loves Rodrigo but, knowing marriage to be impossible for reasons of rank, does all she can to throw him together with Ximena. She is left at the play's guardedly happy ending rocking silently in pain, an indication of how the piece might still move if all parties shared the same attitude towards it. If you see *Cid*, tell him.

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*I thank you kindly on their behalf.*  
*Sister Superior.*



## TELEVISION

BBC1	BBC2	LWT	CHANNEL4	REGIONS
7.25 News. 7.30 Felix the Cat. 7.45 Joe 90. 8.10 The Adventures of Skippy. 8.35 SWAT Kats. 9.00 Panel 8.	6.00 Open University.	5.00 GMT. 8.25 Gorme. 5. 11.30 The ITV Chart Show. 12.30 pm Starting from Scratch.	5.00 4-Tel on View. 8.35 Early Morning. 10.00 Trans World Sport. 11.00 Cosmic Games. 12.00 The Big 8. 12.30 pm A Girl's Fete. 12.30pm. English subtitles.	ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:
10.55 Film: Clarence the Cross-Bound Lion. Pilot for the 1990s TV show Dakkar, starring Marshall Thompson (1985).	12.15 Film: The Gay Divorcee. Romantic comedy musical about an unhappy married woman seeking a divorce. Starring Hollywood dancing duo Fred Astaire and Ginger Rogers (1934).	1.00 ITN News; Weather.	12.55 Film: Oh Residential Melodrama based on Die Reisende. About a Vienna playboy's practical joke on four Army officers. Anton Walbrook stars (1955).	AMALFI:
12.25 Weather.	1.08 London Today; Weather.	1.10 Movies, Games and Videos. Reviews of Used People, starring Shirley MacLaine and Kathy Bates, and The Man With Two Brains, and British Wood in North. WGW Worldwide Wrestling.	2.50 Racing from Newmarket. Coverage of the 3.10 EBF Colman's Mustard Maiden Stakes. 3.45 Robinson's Appleby Cup. 4.15 Colman's Cup of Norwich Stakes, and the 4.30 MultiValley Handicap Stakes.	12.30 Motor Sport and Videos. 1.05 Angleterre. 1.10 Nigel Mansell's IndyCar '94. 1.40 Airport St. (1973). 2.45 Knight Rider. 3.00 Border News and Sport 3.30 Angie Weather.
12.30 Grandstand. Introduced by Steve Rider. 12.35 Motor Racing: The final round of series for British Formula Grand Prix. 1.00 News. 1.05 Athletics: Highlights of last week's Goodwill Games from St Petersburg in Russia. 1.50 Racing from Goodwood. 2.00 Vodaphone Conditions. 2.30 The World Games from The Hague. Action from today's cross-country section of the three-day event. 2.30 Racing: The 2.00 Vodaphone Nasau Stakes. 2.45 Equestrianism. 3.05 Racing: The 3.15 Vodaphone Stewards' Cup. 3.45 Equestrianism: Swimming: British National Championships from Crystal Palace. 5.05 News Round-Up. Times may vary.	1.55 Ways of Seeing. John Berger assesses the impact of photography on people's appreciation of art from the past.	1.40 Life Goes On.	2.50 The People's Parliament. New series. Members of the public are given a chance to debate the week's controversial issues in Granada Studio's House of Commons replica. The opening discussion asks whether persistent young offenders below the age of 12 and 14 should be given custodial sentences. Chaired by Lesley Riddoch, with the position of lobby correspondent taken by Rajesh Dastur.	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
1.55 News.	2.25 Film: A Town Like Alice. Wartime drama chronicling life among women prisoners held by the Japanese in Malaya. Starring Valerie McKenna and Peter Finch (1956).	2.25 Burke's Law. A bomb explodes on a ship owned by a wealthy shipbuilder, but the cause of the man's death is not as straightforward as it first appears.	2.50 Racing from Newmarket. Coverage of the 3.10 EBF Colman's Mustard Maiden Stakes. 3.45 Robinson's Appleby Cup. 4.15 Colman's Cup of Norwich Stakes, and the 4.30 MultiValley Handicap Stakes.	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
1.55 Regional News and Sport.	2.40 Car Boot. Why MPs are calling for stricter controls on car boot sales amid allegations that they are untaxed marketplaces for stolen goods.	2.40 Cartoon Time.	2.50 The People's Parliament. New series. Members of the public are given a chance to debate the week's controversial issues in Granada Studio's House of Commons replica. The opening discussion asks whether persistent young offenders below the age of 12 and 14 should be given custodial sentences. Chaired by Lesley Riddoch, with the position of lobby correspondent taken by Rajesh Dastur.	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
5.30 A Word in Your Ear. Alison Dowling, Patrick Moore, Tom O'Connor and Tracy Edwards take part in the verbal communication game.	4.45 News and Sport; Weather.	2.45 London Today; Weather.	2.50 The People's Parliament. New series. Members of the public are given a chance to debate the week's controversial issues in Granada Studio's House of Commons replica. The opening discussion asks whether persistent young offenders below the age of 12 and 14 should be given custodial sentences. Chaired by Lesley Riddoch, with the position of lobby correspondent taken by Rajesh Dastur.	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
6.00 Film: Tron. A computer buff is transported into an electronic world where he must battle with microchip rebels. Starring Jeff Bridges and David Warner (1982).	7.00 A Town Like Alice. Biography of art critic, essayist and Booker Prize-winning novelist John Berger, who over a period of 30 years has created many controversial works on art, including the influential Ways of Seeing, an episode of which was shown earlier today.	2.50 Life Goes On.	2.50 The People's Parliament. New series. Members of the public are given a chance to debate the week's controversial issues in Granada Studio's House of Commons replica. The opening discussion asks whether persistent young offenders below the age of 12 and 14 should be given custodial sentences. Chaired by Lesley Riddoch, with the position of lobby correspondent taken by Rajesh Dastur.	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
7.30 Pets Win Prizes.	8.00 Film: Brideheads. Drama charting the laughter and tears of four friends needed to find a wife's wedding for the firm in 20 years. Starring Hack and Sels Ward star (TVM 1989).	2.50 Celebrity Square. Contestants compete for cash and cars with the help of celebrities including Kathy Staff, Keith Chegwin, John Inman and Frank Bough. Hosted by Bob Monkhouse.	2.50 Film: From Here to Eternity. Oscar-winning drama set on an army base in Hawaii in the months before Pearl Harbour. Starring Burt Lancaster, Deborah Kerr and Frank Sinatra (1953).	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
8.10 Police Rescue. A tormented artist holds his daughters at gunpoint - forcing Angel to play the role of mediator. Drama, starring Steve Bastoni.	8.00 Film: The Little Hobo. An American secret agent foil to an evil mastermind plans to destroy the ozone layer. Adventure, starring Diane Robb and Patrick Macnee (TVM 1979); ITN News Headlines.	2.50 London Weather.	2.50 Film: From Here to Eternity. Oscar-winning drama set on an army base in Hawaii in the months before Pearl Harbour. Starring Burt Lancaster, Deborah Kerr and Frank Sinatra (1953).	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
9.00 One Foot in the Grave. A pleasant day on the Norfolk Broads soon degenerates into a series of disasters as the Meldecks become marooned. Comedy, starring Richard Wilson.	8.00 Film: The Little Hobo. An American secret agent foil to an evil mastermind plans to destroy the ozone layer. Adventure, starring Diane Robb and Patrick Macnee (TVM 1979); ITN News Headlines.	2.50 Film: The Little Hobo. 10.00 Link. 10.30 Evening Weather. 12.00 pm Saturday Night. 12.30 pm An Invitation to Remember. 12.35 House on the Prairie.	2.50 Film: The Little Hobo. 10.00 Link. 10.30 Evening Weather. 12.00 pm Saturday Night. 12.30 pm An Invitation to Remember. 12.35 House on the Prairie.	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
9.30 News and Sport; Weather.	8.00 Film: Truly, Madly, Deeply. Juliet Stevenson stars as a woman whose dead ex-lover (Alan Rickman) reappears to teach her how to love again. Anthony Minghella's romantic tragic-comedy, also stars Bill Paterson and Michael Maloney (1987).	2.50 Film: The Little Hobo. 10.00 Link. 10.30 Evening Weather. 12.00 pm Saturday Night. 12.30 pm An Invitation to Remember. 12.35 House on the Prairie.	2.50 Film: The Little Hobo. 10.00 Link. 10.30 Evening Weather. 12.00 pm Saturday Night. 12.30 pm An Invitation to Remember. 12.35 House on the Prairie.	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
9.30 Shirley Bassey: I Am What I Am. The legendary Welsh-born cabaret superstar discusses her career, dreams for success, and its ultimate cost to her family life.	11.10 Film: Gold! South. Tongue-in-cheek Western about an outlaw (Jack Palance) who tries to avoid being caught to be a lynched. With Mary Steenburgen, John Goodman and Danny DeVito (1978).	2.50 Film: The Little Hobo. 10.00 Link. 10.30 Evening Weather. 12.00 pm Saturday Night. 12.30 pm An Invitation to Remember. 12.35 House on the Prairie.	2.50 Film: The Little Hobo. 10.00 Link. 10.30 Evening Weather. 12.00 pm Saturday Night. 12.30 pm An Invitation to Remember. 12.35 House on the Prairie.	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
10.40 The Shirley Bassey Concert.	11.10 Film: From the Hip. Comedy drama, starring Judd Nelson (1987).	2.50 Film: The Little Hobo. 10.00 Link. 10.30 Evening Weather. 12.00 pm Saturday Night. 12.30 pm An Invitation to Remember. 12.35 House on the Prairie.	2.50 Film: The Little Hobo. 10.00 Link. 10.30 Evening Weather. 12.00 pm Saturday Night. 12.30 pm An Invitation to Remember. 12.35 House on the Prairie.	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
1.35 Close.	1.00 Close.	2.50 Film: The Little Hobo. 10.00 Link. 10.30 Evening Weather. 12.00 pm Saturday Night. 12.30 pm An Invitation to Remember. 12.35 House on the Prairie.	2.50 Film: The Little Hobo. 10.00 Link. 10.30 Evening Weather. 12.00 pm Saturday Night. 12.30 pm An Invitation to Remember. 12.35 House on the Prairie.	1.10 Get Wet. 1.40 Nigel Mansell's IndyCar '94. 2.15 The Great British Train Robbery. 1987. 4.45 Superstars of Wrestling. 5.00 Border News and Weather.
BBC1	BBC2	LWT	CHANNEL4	SUNDAY
7.30 Dino the Dinosaur. 7.35 King Creosote. 7.45 Peppa Pig. 8.00 Talking Tales. 8.30 Breakfast with Frost. 9.15 Sunday Sunday. 10.00 See Heard. 10.30 Film: Blue Pin.	6.15 Open University. 6.10 Unit: Bits & Bytes: Space-Time. 6.30 Film: Wild Guide to Britain. 10.40 Garage Hill. 11.05 Dynama. 11.20 White Fang. 11.45 The Zone. 12.00 The Flintstones.	6.00 GMTV. 8.25 Gorme. 5. 11.30 The ITV Chart Show. 12.30 pm Starting from Scratch.	6.15 Early Morning. 8.45 The Odyssey. 10.15 House by the Sea. 10.45 Housewife. 11.45 Late House on the Prairie.	ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:
12.00 Countryfile.	12.30 Sunday Grandstand. Introduced by Steve Rider. 12.35 Motor Racing. Live coverage of the Formula 1 Grand Prix from Hockenheim. 2.30 Cricket: Durham v Yorkshire in the Sunday League. 3.30 Golf: The Curtis Cup. News of Britain's amateur women golfers in America. 3.50 Cricket. 4.20 Swimming: The British National Championships from Crystal Palace. 5.00 Cricket. 6.15 Equestrianism: The World Games. Highlights from the showjumping section of the three-day event. Times may vary.	1.00 ITN News; Weather.	12.45 Film: Nicholas Nickleby. Screen adaptation of Dickens' classic drama about a young man's struggle to protect his family from a scheming uncle. Starring Cedric Hardwick and Derek Bond (1947).	AMALFI:
12.30 Weather for the Week Ahead; News.	1.10 100 Women.	1.00 Highway to Heaven.	2.40 The Semiconductor. Oscar-winning animation.	9.30 Ask Max. 12.30 Countryside. 12.55 Angleterre. 2.00 Cartoons. 2.15 Father Dowling Investigations. 3.15 How to Succeed in Business Without Really Trying. (1967). 3.30 Housewife. 6.00 Angie News on Sunday 11.00 Angie Weather.
12.30 Harry and the Hendersons.	2.50 Bugs Bunny's Creature Features.	2.50 Bugs Bunny's Creature Features.	2.50 Quartet Guests including U2. The Krays. The Krays and the Circus discuss the enduring appeal of musical tunes from the 12th century up to the present day.	9.30 Ask Max. 12.30 Gardener's Diary. 12.55 Border News. 2.00 Vidéodrome. 2.30 Tender is the Night. (1961). 3.20 Ask Max. 12.30 Coronation Street. 6.10 Border News.
1.45 Star Trek.	3.20 Film: Guns in the Heather. An American schoolboy's stay in Ireland takes an unexpected turn when he discovers his elder brother is a CIA agent. Disney spy thriller, starring Kurt Russell (1985).	3.00 City Safari. A revealing insight into the wildlife in the grounds of Buckingham Palace.	3.50 Quartet Guests including U2. The Krays. The Krays and the Circus discuss the enduring appeal of musical tunes from the 12th century up to the present day.	9.30 Ask Max. 12.30 Gardener's Diary. 12.55 Border News. 2.00 Vidéodrome. 2.30 Tender is the Night. (1961). 3.20 Ask Max. 12.30 Coronation Street. 6.10 Border News.
1.45 Steven Spielberg's Amazing Stories.	3.30 Film: The Score. An American secret agent foil to an evil mastermind plans to destroy the ozone layer. Adventure, starring Diane Robb and Patrick Macnee (TVM 1979); ITN News Headlines.	3.00 The London Programme. Trevor Phillips examines new research into driver frustration on the capital's traffic-choked streets.	4.25 News Summary.	9.30 Ask Max. 12.30 Countryside. 12.55 Angleterre. 2.00 Cartoons. 2.15 Father Dowling Investigations. 3.15 How to Succeed in Business Without Really Trying. (1967). 3.30 Housewife. 6.00 Angie News on Sunday 11.00 Angie Weather.
1.50 EastEnders.	3.40 Film: Boeding Boeing. Farical sex comedy, starring Tony Curtis (1965).	3.00 London Tonight; Weather.	4.30 Film: Carrington VC. Legal drama about an Army major who decides to conduct his own defence when he is court-martialled for embezzling these funds. David Niven, Margaret Leighton and Noelle Middleton star (1954).	9.30 Ask Max. 12.30 Gardener's Diary. 12.55 Border News. 2.00 Vidéodrome. 2.30 Tender is the Night. (1961). 3.20 Ask Max. 12.30 Coronation Street. 6.10 Border News.
1.50 Film: Boeding Boeing. Farical sex comedy, starring Tony Curtis (1965).	3.50 Film: The Lady and the Highwayman. A lady falls for a roguish highway robber. Romantic swashbuckler, starring Hugh Grant, Lynsey Anthony, Oliver Reed and Emma Thompson (TVM 1989).	3.00 The Score. New series. In the first programme examining aspects of music. David Pfeiffer talks to opera stars Ann Murray and Susan Graham about the confusion often created by women singing men's roles, and offers an opportunity to hear the world premiere of a new work by successful young composer Mark Anthony Turnage.	4.40 The Cosby Show.	9.30 Ask Max. 12.30 Countryside. 12.55 Angleterre. 2.00 Cartoons. 2.15 Father Dowling Investigations. 3.15 How to Succeed in Business Without Really Trying. (1967). 3.30 Housewife. 6.00 Angie News on Sunday 11.00 Angie Weather.
1.50 Summer Prairie. New series. David Matthew and Jemima Fashola present reports from religious music festivals around the country, beginning in Manchester.	3.60 Film: The Lady and the Highwayman. A lady falls for a roguish highway robber. Romantic swashbuckler, starring Hugh Grant, Lynsey Anthony, Oliver Reed and Emma Thompson (TVM 1989).	3.00 Under the Sun. The conflict between Australian cattle rancher Grant Martin and expert Aboriginal stockman Harry Doon over land ownership.	5.00 The Valour and the Horror. New series. In the first of three drama documentaries recounting the untold story of Canada's role in the second world war two veterans of the country's land forces pay tribute to their commanding officers who died in the hullabaloo of war fought on the front line defending Hong Kong against the Japanese.	9.30 Ask Max. 12.30 Countryside. 12.55 Angleterre. 2.00 Cartoons. 2.15 Father Dowling Investigations. 3.15 How to Succeed in Business Without Really Trying. (1967). 3.30 Housewife. 6.00 Angie News on Sunday 11.00 Angie Weather.
7.00 Small Talk. Ronnie Corbett hosts as guests attempt to guess children's answers to a selection of questions about life.	3.70 Film: The Flying Circus.	3.00 Monty Python's Flying Circus.	5.10 Film: The Duchess and the Dirtwasher. Comedic drama starring Catherine Zeta-Jones as a sultry saloon singer who gets mixed up in bawdy gambling. George Segal's feed with an outlaw gang after stealing his money (1976).	9.30 Ask Max. 12.30 Countryside. 12.55 Angleterre. 2.00 Cartoons. 2.15 Father Dowling Investigations. 3.15 How to Succeed in Business Without Really Trying. (1967). 3.30 Housewife. 6.00 Angie News on Sunday 11.00 Angie Weather.
7.00 Tales of a Family. New series. Comedy drama, starring Gregor Fisher as Peter MacFarlane, hapless skipper of a completely unseaworthy vessel operating in the Gulf of Kindy.	3.80 Grand Prix. Highlights of the German Grand Prix from Hockenheim.	3.00 Grand Prix. Highlights of the German Grand Prix from Hockenheim.	5.10 Film: The Duchess and the Dirtwasher. Comedic drama starring Catherine Zeta-Jones as a sultry saloon singer who gets mixed up in bawdy gambling. George Segal's feed with an outlaw gang after stealing his money (1976).	9.30 Ask Max. 12.30 Countryside. 12.55 Angleterre. 2.00 Cartoons. 2.15 Father Dowling Investigations. 3.15 How to Succeed in Business Without Really Trying. (1967). 3.30 Housewife. 6.00 Angie News on Sunday 11.00 Angie Weather.
7.00 News and Weather.	3.90 Film: The Fly. A man grows closer to his wife than anyone else in the family, ordered she endure in Italy. Final part of Ruth Rendell's psychological thriller, starring John McArdle.	3.00 The Score. New series. In the first programme examining aspects of music. David Pfeiffer talks to opera stars Ann Murray and Susan Graham about the confusion often created by women singing men's roles, and offers an opportunity to hear the world premiere of a new work by successful young composer Mark Anthony Turnage.	5.10 Film: The Duchess and the Dirtwasher. Comedic drama starring Catherine Zeta-Jones as a sultry saloon singer who gets mixed up in bawdy gambling. George Segal's feed with an outlaw gang after stealing his money (1976).	9.30 Ask Max. 12.30 Countryside. 12.55 Angleterre. 2.00 Cartoons. 2.15 Father Dowling Investigations. 3.15 How to Succeed in Business Without Really Trying. (1967). 3.30 Housewife. 6.00 Angie News on Sunday 11.00 Angie Weather.
7.00 Gulliver's Travels.	4.00 Film: The Fly. A man grows closer to his wife than anyone else in the family, ordered she endure in Italy. Final part of Ruth Rendell's psychological thriller, starring John McArdle.	3.00 London Tonight; Weather.	5.10 Film: The Duchess and the Dirtwasher. Comedic drama starring Catherine Zeta-Jones as a sultry saloon singer who gets mixed up in bawdy gambling. George Segal's feed with an outlaw gang after stealing his money (1976).	9.30 Ask Max. 12.30 Countryside. 12.55 Angleterre. 2.00 Cartoons. 2.15 Father Dowling Investigations. 3.15 How to Succeed in Business Without Really Trying. (1967). 3.30 Housewife. 6.00 Angie News on Sunday 11.00 Angie Weather.
7.00 Saturday Morning Concert.	4.10 Film: The Fly. A man grows closer to his wife than anyone else in the family, ordered she endure in Italy. Final part of Ruth Rendell's psychological thriller, starring John McArdle.	3.00 London Tonight; Weather.	5.10 Film: The Duchess and the Dirtwasher. Comedic drama starring Catherine Zeta-Jones as a sultry saloon singer who gets mixed up in bawdy gambling. George Segal's feed with an outlaw gang after stealing his money (1976).	9.30 Ask Max. 12.30 Countryside. 12.55 Angleterre. 2.00 Cartoons. 2.15 Father Dowling Investigations. 3.15 How to Succeed in Business Without Really Trying. (1967). 3.30 Housewife. 6.00 Angie News on Sunday 11.00 Angie Weather.
7.00 Press Review.	4.20 Film: The Fly. A man grows closer to his wife than anyone else in the family, ordered she endure in Italy. Final part of Ruth Rendell's psychological thriller, starring John McArdle.	3.00 London Tonight; Weather.	5.10 Film: The Duchess and the Dirtwasher. Comedic drama starring Catherine Zeta-Jones as a sultry saloon singer who gets mixed up in bawdy gambling. George Segal's feed with an outlaw gang after stealing his money (1976).	9.30 Ask Max. 12.30 Countryside. 12.55 Angleterre. 2.00 Cartoons. 2.15 Father Dowling Investigations. 3.15 How to Succeed in Business Without Really Trying. (1967). 3.30 Housewife. 6.00 Angie News on Sunday 11.00 Angie Weather.
7.00 Record Release. Bagman, Corden, Davids, Davies, Jones.	4.30 Film: The Fly. A man grows closer to his wife than anyone else in the family, ordered she endure in Italy. Final part of Ruth Rendell's psychological thriller, starring John McArdle.			

